PRIVATE CAPACITIES AND PUBLIC RESPONSIBILITIES IN ALLEVIATING WORLD HUNGER

HEARING

BEFORE THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

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PRIVATE CAPACITIES AND PUBLIC RESPONSIBILITIES IN ALLEVIATING WORLD HUNGER

WEDNESDAY, NOVEMBER 18, 1987

House of Representatives,
Select Committee on Hunger,
Washington, DC.

The committee met, pursuant to notice, at 9:36 a.m., in room 2226, Rayburn House Office Building, Hon. Mickey Leland (chairman of the committee) presiding.

Members present: Representatives, Flake, Brennan, Emerson, and Smith.

OPENING STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman Leland. The committee will come to order.

The select committee is holding this hearing to examine two points. We are interested in knowing more about private sector capacity in addressing hunger, and, second, we are interested in the relationship of that capacity to the role of the Federal Government in hunger alleviation.

Whether the focus is on domestic problems—chronic poverty, homelessness, malnutrition in the rural areas and inner cities of America—or on massive human hunger and outright starvation in the developing nations of the world, the groups represented here today and so many other private agencies are playing a critical role in the assault on hunger. Charities, church and civic groups, private voluntary agencies, corporations, community associations and foundations are, on a daily basis, demonstrating enormous capacity to respond to the plight of the hungry.

The question is, however, how much these organizations can be expected to do during a period of retreat from responsibility on the part of the Federal Government. The question is, what capacity do these agencies have to meet the increasing need and the accelerating demands for service from those in need when the Federal Government's support for vital programs is experiencing great decline?

Voluntary agencies, those working at home and those engaged in overseas work, traditionally have worked on the provision of human services through a partnership with government. This partnership has allowed the voluntary organizations to deliver a larger share of government-financed human services than the government itself.

When the Federal Government cuts its spending for human services programs, the revenues and resources of the nonprofits are reduced at the very time the nonprofit sector is called upon to do more. We are concerned about the continued ability of nonprofit organizations to serve those in the greatest need.

I have seen some current data which indicates that the fiscal year 1988 budget resolution numbers for six functional accounts of particular concern to the private, nonprofit community would mean a decrease of 9 percent from fiscal year 1980 levels. The administration request levels for the same six accounts would mean a funding decrease of 15 percent from 1980 levels.

Mr. Salamon will have more details on those numbers during the first panel discussion. However, my concern is clear: how can we reasonably expect the nonprofit organizations to raise enough revenue to compensate for such reductions in spending during a period when need is so clearly expanding?

Domestically, Federal support for a whole range of social services has declined by several billion dollars. In the foreign aid program, development assistance programs are now being funded at a level several hundred million dollars below the levels of 1980. Despite the attention given to sub-Saharan Africa, for example, foreign assistance to Africa continues to decline from an already very low base line.

Now, it is true the public's support for charitable organizations has risen since 1980, but even when looking at the support from foundations, from corporations, and from the general public as a total, it is clear that the increased donations do not offset the cutbacks in Federal funding. Now we face the uncertainty of last year's tax reform measures and the possible detrimental impact on charitable giving which it may bring.

These are the concerns which led the select committee to call this hearing. We look forward to the testimony of our witnesses.

Let me just say now that all of us on this committee applaud and salute the daily efforts of so many in the nonprofit community who are making the difference in fighting hunger, disease, and malnutrition, whether in the Mississippi Delta or the remote areas of Ethiopia or Mozambique. We thank all of you, and we look forward to hearing from you.

Let me now turn to my colleagues and ask if they have opening statements.

Mr. **Smith**. No, I don't. Thank you, Mr. Chairman.

Chairman **Leland**. Mr. Brennan.

OPENING STATEMENT OF HON. JOSEPH E. BRENNAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. **Brennan**. Thank you, Mr. Chairman.

Just very briefly, I would like to say I am delighted and honored to have been appointed to the Select Committee on Hunger. Hunger is a problem that simply should not exist in a world of great surpluses. Clearly, the good will and the scientific technology is there to make sure that the hunger doesn't exist. I can think of no nation on the face of the Earth that is in a better position to take the leadership, not only in its own country but across the world, to alleviate hunger.

We have been fairly effective as a nation in supplying arms and other things to countries. I just hope we show equal fervor in trying to address the very basis problem of hunger.

I am pleased to have been appointed to this committee to work with you, Mr. Leland, and other members of the committee to see what we can do.

Chairman LELAND. I apologize for being remiss in not introducing you as our newest member of the select committee. It looks like we are going to have another new member at some point. Mr. Bilbray has just resigned from the committee to go over to the Select Committee on Aging, so you will rise in seniority very fast, Mr. Brennan.

We certainly want to welcome you and commend to you the committee's work that has been invaluable to the outside community that is so involved in hunger issues around the world and in this country. I think I can say we have done some good in the Congress, too. I think that you will not only find the committee work rewarding, but you will find it somewhat enjoyable.

I will tell you that the people who serve on this committee are some of the best people in the whole world.

Mr. BRENNAN. Thank you very much, and I am delighted to have been elevated on the very first day on the job.

Chairman LELAND. I would like to commence these proceedings by asking that our first panel of witnesses please come forward. Let me introduce you.

Mr. Lester Salamon is the director of the Institute for Policy Studies at Johns Hopkins University. Prior to assuming that position, he was the director of the Center for Governance and Management Research at the Urban Institute. He has also served as the deputy associate director of the Office of Management and Budget and was a professor of policy sciences at Duke University.

He has authored numerous books and articles on public policy issues, among them "The Non-Profit Sector and the New Federal Budget" which includes a discussion of issues we will be addressing this morning.

Monsignor Robert Coll, a good friend, is the executive director of Interfaith Hunger Appeal. I was pleased to have met him in 1984 in Ethiopia while he was showing us the very terrible problems that we had to confront in the incredible famine then gripping the people of that nation.

The Interfaith Hunger Appeal is a consortium of private volunteer organizations, including Catholic Relief Services, Church World Service, Lutheran World Relief, and the American Joint Jewish Distribution Committee.

Monsignor Coll has been a prominent figure in nongovernmental hunger relief efforts for several years. In 1975, he established Operation Rice Bowl, a church-based organization which has raised over $33 million for development programs in the third world. During the Ethiopia famine of 1984 and 1985, he was the coordinator of the Draught Action Africa Committee and organized an international food appeal producing over 300,000 metric tons of food for Ethiopia.

Rev. Henry Gregory is the pastor of Shiloh Baptist Church here in Washington, DC. He has been a clergyman for 25 years during which time he has received a number of awards. Among them are the Pastor of the Year, and in 1987, he received the Martin Luther King, Sr., Community Service Award.

Reverend Gregory leads an active congregation of close to 5,600 members who, through their 90 internal organizations, cover a wide range of social services.

Gentlemen, thank you very much for joining us this morning. Let me say we are hoping that all witnesses can provide a brief verbal summary of their statements. Your full prepared testimony will, without objection, be entered into the hearing record.

Mr. Salamon, let me ask you to please proceed first.

STATEMENT OF LESTER M. SALAMON, DIRECTOR, INSTITUTE FOR POLICY STUDIES, JOHNS HOPKINS UNIVERSITY

Mr. **Salamon**. Thank you, Mr. Chairman and members of the committee. It is a pleasure to be here.

My name is Lester Salamon, and I am the director of the Johns Hopkins University Institute for Policy Studies. My statement today is my own statement and is not in any sense a representation of the views of the university of any of the people who have supported the work that I have been doing.

What I want to do today is draw on 5 years of research that I have been engaged in both at Johns Hopkins and at the Urban Institute as well as on the experience that I had as a deputy associate director of the Office of Management and Budget to make five major points to you. These points are outlined in a little more detail in a written testimony that I would like to have submitted for the record.

Let me just outline very briefly the five points that I want to make to you this morning. The points, in a sense, are by way of providing a kind of background to understand the role of the private, voluntary sector in hunger relief efforts both in this country and abroad. My concern has been that the role of the sector and the character of the sector has tended to be overlooked and misunderstood, and I think some basic background has to be said in order to clarify things.

The first point is a very basic one, and it is that there is a very significant difference between private philanthropy and private, nonprofit sector. In particular, the private, nonprofit sector turns out to be quite a bit larger than the scale of private philanthropy would suggest, but there is a common tendency in the public mind to confuse private philanthropy with the private, nonprofit sector.

In fact, however, the two are very different although they are clearly related.

Private philanthropy is essentially the gifts of cash and other matters provided by individuals, by corporations, and by foundations to private, nonprofit service organizations. However, it turns out that those nonprofit service organizations receive income from sources other than private philanthropy. Therefore, the common tendency to equate the size of the private, nonprofit sector with the size of private philanthropy leads to some very serious misunderstandings and some very misleading conclusions that I think have very significant implications for public policy.

Just to illustrate this, in 1980, the total amount of private philanthropy, private giving from all sources going to nonprofit service organizations in this country both for work in this country and abroad equalled some $26 billion. But in that same year, the total expenditures of the country's private, nonprofit organizations equaled some $116 billion. So, we can see quite clearly that the private, nonprofit sector has income from sources other than private philanthropy.

This is true not only in the domestic sphere, but it is true also in the international sphere. For example, Catholic Relief Agency in 1985, according to AID figures, had private support of some $87 million, a fairly significant amount. However, the total budget of that agency was on the order of $437 million.

Similarly, CARE, one of the other large private, nonprofit agencies involved in international relief, had private philanthropic receipts of some $29 million in 1985, but it had a total budget of $274 million. So, private philanthropy was on the order of 10 percent of the income of CARE.

The point that I want to make is that the private, nonprofit sector and private philanthropy, though they are related, are by no means one and the same thing. The private, nonprofit sector is considerably larger than the data on private philanthropy would suggest.

The second point has to do with where the nonprofit sector gets this other income. The basic point that I want to leave with you is that it turns out that government is the single largest source of income of the private, nonprofit sector.

We have built in this country a very elaborate system of Government-nonprofit cooperation. The Government has turned to the private, nonprofit sector to help it carry out its responsibilities.

This in my mind is an ingenious system. It allows us to combine the democratic priority setting and revenue raising capabilities of government with, I think, the superior service delivery capabilities of the private, nonprofit sector.

What is more, this turns out not to be a new phenomenon. People have at times assumed that it is fairly new. My research suggests that this whole pattern of partnership between government and the private, nonprofit sector has roots deep in American history.

As early as colonial times, there were provisions in the constitution of the Commonwealth of Massachusetts to provide support to Harvard College. From that time to the present, we have had an elaborate pattern of cooperation between government and the voluntary sector.

In fact, the very first congressional enactment in the social service field that I have been able to locate took the form of a grant in aid provided to a nonprofit, sectarian Catholic organization in the City of Washington, an organization called the Little Sisters of the Poor. This first social service grant program to the voluntary sector was enacted by the Congress in 1874.

So, we are building here on a long tradition of partnership.

Our data shows that in 1980, the Federal Government provided $40 billion in support to private, nonprofit sector organizations. That same year, to put things into perspective, the total amount of money raised by all of the United Ways throughout the United States was $1.5 billion. All of private giving, you recall, in 1980, was $26 billion. So, $40 billion came from the Federal Government; $26 billion came in support from all of private giving.

This was confirmed in some survey work that we did of the voluntary sector throughout the country. We found that in the country as a whole, excluding hospitals and higher education, the sources of income of the voluntary sector broke down as follows: 40 percent came from government, 30 percent came from fees and service charges, and private giving made up about 20 percent of the total. So, private giving wasn't only not No. 1. It was also not No. 2. Service charges and fees were the second most important source of income.

Again, this phenomenon of extensive cooperation between Government and the voluntary sector is very much in evidence in the international sphere. The two largest international relief agencies, Catholic Relief and CARE, received together 80 percent of their total budget from governmental sources.

So, the second point is that the major source of income of the private, nonprofit sector turns out to be Government, and this is a reflection of a widespread government-nonprofit partnership that we have built in our country.

The third point is the one that the chairman alluded to before, and that is that Federal support and, indeed, all Government support of the nonprofit sector has been declining in recent years. The cuts that occurred, particularly in 1981, have cut significantly into Federal support to the private, nonprofit sector. Although those cuts leveled off after 1982, the result, once you take account of inflation, is the significant deterioration of the levels of Federal support flowing to private, nonprofit organizations.

Outside of medicare and medicaid, the value of Federal support to nonprofits was 28 percent lower in 1986 than it had been in 1980. There is a figure in my testimony that gives a kind of graphic portrayal of what is happening to the levels of Federal support to the private, nonprofit sector.

Although the reductions in Government support in the international sphere were less severe, there were also reductions there as well. They were on the order of 8 percent reductions in the value of Federal support to private, nonprofit organizations.

So, we have a situation in which on the one hand, the private, nonprofit agencies are being called on to do more, but, on the other hand, they are losing the resources that allow them to maintain even their prior levels of service. That is the third point that I wanted to make.

The fourth point that I want to make is that, sadly, private giving has not been sufficient to make up for these Government cutbacks. We have had a very encouraging growth in private giving in this country, and I think all of those who have been involved in the stimulation of private giving deserve a great deal of praise and thanks.

However, the fact remains that given the relationship between private giving as a source of support to nonprofit organizations and Government support of a support of revenue, it takes a 2-percent rise in private giving for every 1 percent reduction in Government support. While the rises in private giving have been significant, they simply haven't been enough to offset the Government reductions.

In fact, our data suggest that private giving offset only about 25 percent of the reductions in Federal support to nonprofit organizations. This is simply the direct support to nonprofits. The amounts that they lost below 1980 levels of support does not include the much larger amounts that would be needed if we were to try to offset with private giving the overall reductions in Federal support in these programs.

Private giving—and this is the fourth point—hasn't made up even for the reductions in direct Federal support to the nonprofit organizations.

The fifth point is a somewhat ironic point but one that I think has profound implications for the future of the private, nonprofit sector. Interestingly, despite these cuts and despite the lack of sufficient growth in private giving, the nonprofit sector, as a whole, has grown in this country in the early 1980's. There has been a net increase in the total budgets of private, nonprofit organizations.

How has this occurred? It hasn't occurred, if you follow what I said before, because of a growth in private giving. It hasn't occurred because of a growth in Government support. The source of the growth turns out to be service fees and charges.

In other words, forced by Government cutbacks and limited growth in private giving, nonprofit organizations have had to charge more for their services. They have had to increase existing charges and they have had to institute charges where charges weren't applied before.

A service charge or fee, essentially a commercial type of income, had made up 75 percent of the replacement income that the nonprofit sector as a whole managed to gain over the past 4 or 5 years. Importantly, though, not all agencies have equal access to service fees and charges. As a consequence, there have been significant differences in the patterns of response of different kinds of agencies to the challenges of the last several years.

In particular, some agencies have ended up with net losses even though the sector as a whole had grown. The organizations that have ended up with net losses are the ones that tend to focus on the clientele least able to pay. Therefore, organizations involved in the provision of social services, organizations that are in the field of community development or employment and training, advocacy organizations, and organizations that are primarily focused on the poor and on minorities have tended to fall behind.

So, the fifth point is that there has been growth in the sector, but that growth has largely come through fees and service charges.

It seems to me that this trend could suddenly shift the focus of the nonprofit sector away from those in greatest need toward those able to pay, at least in part, for the service that they receive. In addition, it could force a shift in the focus of philanthropy away from experimentation and the development of new models of social problem solving toward the provision of basic relief which had previously come to be considered more of a Government responsibility.

Let me just conclude by saying that it seems to me that the trends that we have been chronicling over the past several years have some very troubling implications for the future of the private, nonprofit sector and for its ability to help in solving human service problems both in this country and around the world. The central message of our work is that sound solutions to many of these problems will not be found if we begin by assuming an inherent conflict between Government and the private, nonprofit sector.

Rather than thinking of these two sectors as alternatives, we should recognize the historic pattern of partnership that has long linked these two sectors together and should work to strengthen and rationalize that partnership in the future. This will require Government encouragement of private, charitable activity, but it will also likely involve a continuation and possibly an expansion of governmental contributions as well.

It seems to me that neither by itself is likely to suffice.

Thank you.

[The prepared statement of Mr. Salamon appears at the conclusion of the hearing, see p. 44.]

Chairman LELAND. Thank you very much.

Monsignor Coll.

STATEMENT OF MONSIGNOR ROBERT J. COLL, EXECUTIVE DIRECTOR, INTERFAITH HUNGER APPEAL

Monsignor COLL. Thank you.

I think what has happened to the Interfaith Hunger Appeal as well as to InterAction is an indication that the private sector is becoming much more authentic and integrating its programs. Therefore, it stands to be a more effective instrument of the partnership that exists between the public sector and the private sector.

In the case of the four organizations which I represent, there has had to be a deep introspection into our intentions. We have emerged from being mainly relief organizations to development institutions. That has put a dramatic stress on our operations insofar as it has called for greater funding and longer commitments.

What has happened between the partnership of the private and public sector in the last several years is that, No. 1, the amount of funds available have been reduced. No. 2, there has been a policy of integration which has made the private sector sometimes unwilling to proceed in its developmental practices. There has been a certain reluctance on the part of private agencies to commit to policies which are initiated at a state level.

I think Ethiopia is a textbook case. You had a Marxist state. You had the United States' in tension with that relationship. Certain activities were curtailed, were not able to be initiated. You had the Hickenlooper amendment which did not permit U.S. funds to be used in developmental situations in a Marxist state.

Yet, if Ethiopia and, indeed, the African Continent is to survive, whether people are friends or not, we will have to extend that amendment. Development is really the name of the game. We cannot continue to go back time and time again with relief efforts and, at the same time, deny people their chance of development.

So, the partnership that exists between the private and the public sector must become more realistic.

I think a third consideration is the cost of doing business. If you take the cuts, if you take the tension that exists between the two—the private and the state sector—and if you take the increased costs of doing business, you see that whatever gains have been achieved in the private sector in raising funds have been wiped out. I think that presents us with a serious problem.

If the United States is to increase its vision across the world or if it is to share that vision, then it must become more effusive and more willing to take chances in some of the developing countries. Again, I go back to an Ethiopian experience.

We had the United States giving or committing some 225,000 metric tons in the initial days of the Ethiopian famine. At the same time, you had a tension between the Ethiopian Government and the United States. The Ethiopian Government wanted to target the food. The U.S. Government wanted no part of that. Here was where the partnership between the private sector and the public sector came into play to great effect.

We were able to effect a compromise. Yet, had it not been for the strength and the capability of the U.S. Government, we would not have been any effect whatsoever.

Because of the U.S. Government, port disadvantages were increased. Also, transportation was made available, both on land and in the air. And, of course, hundreds of thousands of lives were saved.

Once again, had the state stood off, had the governments taken their positions, then hundreds of thousands of people would have been lost over and above what was lost.

The private sector was able to cut in and to make great inroads in their way. The public sector is always involved in government to government programs. These are not always the most effective. The private sector is able to slip into the cracks, to get down into the poorest of the poor and to affect small communities which would be unaffected in a state to state relationship.

I think if anything, if the Federal Government is to cut its programs, it should certainly cut in other areas, because the most effective instrument of democracy comes through the private sector's effects around the world. It is more sympathetic, more grass roots, more person to person oriented. We are able to achieve what, of course, governments cannot because of such political differences.

I would hope that in the present crisis the United States would increase its efforts not only in relief assistance but extend its efforts in developmental assistance, because that is what is needed—long-term commitments facilitated in tension riddled cases such as Ethiopia by and represented by the private sector becoming a more effective instrument in the development of the agricultural policies and the agricultural visions of the people of Ethiopia as well as all of Africa.

These are tender times in third world countries. They are fragile times. They are being inundated by all kinds of international influences. It is very difficult for them to have their moment, and we must be patient with them. We must be long-suffering, and we must give extended commitment to these people.

That can best be done by a partnership between state and private sector which is unencumbered. You must permit the private sector to have more of its way to see beyond the politics of the moment so that we may affect the lives. After all, the greatest boon to democracy in the world is a democracy that works for everyone, not just for a few, not for the select.

It is important, gentlemen, that you do everything to protect at least what is and, at best, of course, I would say it is your obligation to extend the capability of the United States so that it can in a humanitarian, thoughtful, and dedicated way assist the people of the third world to develop themselves.

I thank you.

Chairman **Leland**. Thank you, Monsignor Coll.

Reverend Gregory.

STATEMENT OF REV. HENRY C. GREGORY III, PASTOR, SHILOH BAPTIST CHURCH, WASHINGTON, DC

Reverend **Gregory**. I thank you, Mr. Chairman and members of the committee.

The context, the raison d'etre, the perspective of our involvement is found in the biblical tradition of the communities of faith. In the Old Testament, Yahweh, God, is described as one who is concerned about the poor and the needy. The eighth century prophets articulate this concern.

In the New Testament community of faith, the poor are divided in two groups. One is those who seek to earn a livelihood, and the other is those on subsidy. In terms of the former are included slaves and those who are day laborers. Rabbi Hillel stated on one occasion that as a young man, on days he did not work, he did not eat. In terms of the latter would be included the sick, the disabled, children who have no active fathers, the widows, or those persons who are socially ostracized and economically dispossessed.

The church as a community of faith has been driven by the message with the encouragement of Jesus to share within the community of believers and outside of that community. Shiloh Baptist Church of Washington has stood, like other local congregations, in this tradition of caring.

Since its inception in 1863 by 21 newly emancipated slaves, there has been a concern about the total person. In fact, salvation has meant making people whole and well in their total being. Also, the concern has been inclusive and comprehensive in terms of meeting the needs. The church has existed for the community, for the world even as God so loved the world that he gave his only son.

In recent years, that concern for the hungry has become intensified and diversified. There are some particular acts that have been performed and that are continually a part of our programs that are directed toward the hungry.

We maintain a provision of food through a food pantry for crisis intervention. This is supplied by the purchasing of members of the congregation from agencies that have food in this regard.

The church has a minister of community services and family life, and there is a stream of people 7 days a week who seek his assistance in this regard.

We are involved in helping persons on special days such as holidays when baskets of food are collected by the congregation.

Third, hundreds of individuals are fed at special times during the year. We open our dining room, and the persons who are hungry are allowed to come in, and members of the congregation feed them. One example was yesterday in our family life center.

Fourth, the church operates a restaurant on our premises. Although this is not encouraged, there is still a stream of persons who come asking for food, and our staff has begun the tradition of knowing that they are coming and preparing food and taking it out to them, because of business reasons in trying to operate a restaurant.

Fifth the church operates a center for the hearing impaired who are seniors, and there is a food program attached to this as well as provision of food for our regular senior citizens group which consists of some 14 different church affiliations.

Sixth, the church has a dynamic program for youth. One in particular is a male youth enhancement project. We tutor boys, help them to develop a healthy lifestyle, but we always find that we need to feed them first. They are from single parent households, and they live in the neighborhood of the church.

Seventh, the church collaborates with other projects in the city such as SOME, So that Others May Eat, in which our members purchase the food and provide and serve the food at least once a month on the premises of this operation.

Eighth, the church is involved in national organizations such as Hands Across America, efforts such as the Hunger Project in which the first mass rally was held in Shiloh with Dick Gregory as the speaker and, subsequently, our choir has been involved in their mass rallies. This is an educational kind of effort on a national level.

What Shiloh has been doing is symbolic of what other local congregations have been doing and seeking to do. All of the work of the local congregations and clusters of churches, however, is not enough.

We are involved on the front lines. It is not a matter of statistics with us; it is a matter of bodies, of persons coming in with great need and in agony on their faces.

The demand is too great and the need is too widespread for us to feel adequate to respond according to what it is.

In 1984, the President's task force on food assistance declared that hunger now is "a significant problem throughout the Nation." We know, however, that it is a significant problem in the Nation's Capital.

The street people, the visible poor, the discrete people, the invisible poor who knock on our doors every day remind us that we cannot meet the crisis as a local congregation. The mere pittance that we give intermittently is not enough for them to survive, to thrive, and to develop a healthy lifestyle. Nutrition related health damage is real and pervasive.

Related to the problems have been government cutbacks in income maintenance and other basic programs for low-income families since 1980. The reduction has made more limited the ability of poor families to obtain needed food.

Finally, our thinking in terms of the role of Government, in part, is as follows:

The Government can assume a greater responsibility for provision of food for the hungry. We don't have the resources and, as taxpayers, we pay taxes, but the priorities of Government have resulted in a kind of double taxation, because we must dig in our pockets to pay for those who are hungry.

Our big problem is counseling. Many of the persons who come to our doors are angry and hurt and suffering, and they need deeper counseling. We have a counseling program that is not adequate to meet the demand that confronts us.

The Government can help in the prevention of hunger for the future. Relieving hunger is not enough. We must also work to reduce the likelihood of future hunger problems through providing developmental help through creation and assistance and projects which will increase the productive period of people's lives and their capacity to be economically self-sustaining.

Finally, the Government can help us in terms of a coalition in providing support for youth, for children, that they may grow to develop the kinds of marketable skills that will ensure a positive future.

Thank you.

[The prepared statement of Reverend Gregory appears at the conclusion of the hearing, see p. 77.]

Chairman LELAND. Thank you, Reverend Gregory.

Mr. Salamon, you note that there are six budget functions of particular concern to private nonprofit organizations. What percentage of these budget functions do nonprofit organizations receive?

Mr. SALAMON. I am not sure I can answer that off the top of my head, Mr. Chairman. It is something on the order of 30 to 40 percent of the total Government spending in these fields goes to nonprofit organizations.

Another way to make the point possibly even more convincingly, we did work at the local level in 16 communities. We tried to trace all of the moneys coming from the Federal Government, State governments, and local governments for human services. We tried to figure out how much of that flows out through nonprofits, through Government, and through for profit agencies.

What we concluded is that the nonprofits receive about 42 percent of that total Government spending on human services. The Government agencies distribute about 39 percent, and the for profit agencies distribute about 18 or 19 percent.

So, in a word, the private, nonprofit organizations deliver a larger share of the Government funded human services than do Government agencies themselves. So, when we speak of the welfare state in the United States, we really are talking about the private, nonprofit sector.

Chairman LELAND. Some of your research indicates that Federal cutbacks have resulted in a strain on the private sector—and you as much as said that—particularly in the provision of social services. How would you describe what this strain has meant to the ability of nonprofits to maintain continuity in the services they provide?

Mr. **Salamon**. I think the entire nonprofit sector has been living through a period of intense strain. The strain takes its toll in longer hours of work and more pressure on staff. I think it ultimately finds expression in the shift of the agencies toward service fees and, therefore, on the margin, I think it leads to reduction in services to the people who need it the most.

Chairman **Leland**. Your testimony refers several times to a partnership between Government and private agencies. You are basically referring to domestic organizations. Do you see the same partnership on the international side, and is it as critical a relationship as it is at home?

Mr. **Salamon**. It is very much in evidence on the international side. In some respects, it is more in evidence on the international side even than it is on the domestic side. I cited evidence in my testimony of the share of the budgets of some of the larger international development and relief organizations that are involved in assistance work. Those budgets show very substantial amounts of the total income coming from government support.

I think this is, as others have testified, an ingenious way to carry out our public purposes. It allows us to tap the unique strengths of the voluntary sector and combine them with the peculiar strengths of Government.

I think this works well in the domestic sphere. I think it also works well in the international sphere.

Chairman **Leland**. Monsignor Coll, you described for us how the rather unique partnership of so many diverse groups, church agencies, PVO's, AID, the Ethiopian Government, the U.N., and other donor organizations all came together and worked in Ethiopia in 1984 and 1985. What were the elements that made this coalition work?

Monsignor **Coll**. First of all, I think it was born of need.

Second, there has been a maturity develop in the private voluntary agencies where they are more conscious of one another and integrating their programs with one another.

The third thing that I might say is the motivation, of course. The private sector, especially in the case of the religious-related organizations which were represented in Ethiopia, the motivation provided the impact.

I would like to speak to a tension that has developed between the private and the public sector. That is in the last 8 years, there has been a policy of integration. That is, whatever assets were to be used in the developing world were to be part of a state program. After that plan was developed, then you could be part of it or you could buy into it.

It strained the relationship between the State and the private sector because of the overriding plan. If we could fit into the State plan, then we could carry out our humanitarian efforts. If our program did not fit into that plan, then you were denied those funds.

As foreign assistance was cut back over the years, Public Law 480 food became part of a foreign assistance effort, and it became them a political program. If the partnership is to be a viable and realistic one, as we would hope, then there has to be a greater input on the part of the private sector as well as to the developing country itself in the development of a country plan.

Usually what has happened in the past is the government, ours, has developed its own country plan and then advised the private agencies of the plan as well as the local government. That plan should be developed by all three. In other words, it shouldn't come out at the end as this is what you can do or this is what you cannot do.

If you are truly interested in a realistic partnership, then there should be input from all three sectors.

Chairman LELAND. Monsignor Coll, through your work with Operation Rice Bowl and the Interfaith Hunger Appeal, can you tell us what trends you see in terms of public donations to charitable groups working on hunger programs?

Monsignor COLL. I think because of several unfortunate situations that have happened in the religious sector, I think you will see a cutback in contributions to religious affiliated groups in this country. In fact, I think it is being experienced now. That is my suspicion.

At the same time, I think religious-related private organizations are becoming far more conscious of one another, are being far more thoughtful, and are dedicating themselves to developmental situations which are more political and, of course, more offensive to Government but which are absolutely essential unless we want to continue this band-aid operation of going back year after year.

Chairman LELAND. Reverend Gregory, you mentioned that limited resources and increasing demand requires you to restrict your pantry services to once per month per family. Would you please give us an idea as to how much requests have grown over the past few years?

Reverend GREGORY. The number of requests has been staggering. About 10 or 12 years ago, we had a few drop-ins a week, and there was no restriction in terms of how often they could come back. Now, there are daily numbers of people who come in.

Every massive effort we have such as feeding large numbers of people in the dining room simply increases the demand that is made upon us. Our minister of community services is involved with a number of community programs, but I would say now over one-half of his time is spent in dealing with hunger situations.

Chairman LELAND. What outreach mechanisms are employed by Shiloh to help the hidden poor access services?

Reverend GREGORY. The outreach programs of Shiloh involve an attempt to provide skills in terms of health and wellness through physical fitness programs for youth, many of whom are from the neighborhood. In skills development, there are tutorial programs that are involved, and our meeting of hunger needs is incidental to the provision of an opportunity for goal setting and skills to achieve certain goals by the youth.

There are mentoring and modeling programs in which male adults are teamed with central city boys. Through a variety of programs, they are enabled, hopefully, to become a little stronger in society and have a future that perhaps they did not have without such programs.

We have counseling programs for marginal teenagers——

Chairman **Leland**. Reverend Gregory, let me stop you right there. Do you do the same thing for young girls?

Reverend **Gregory**. Yes, we do quite a bit for young girls. We are in the process now of developing a health enhancement project for girls. In the one we did for boys, there came to be a need in terms of teen pregnancy. A lot was said about the girls. Now that the boys' program is viable, we have an organization that is working on a similar program for girls.

Chairman **Leland**. You note that solutions to hunger must involve the collaboration of the community as a whole. How would you suggest we at the Federal level engage in a partnership with the private sector to alleviate hunger?

Reverend **Gregory**. We think that the Federal level has resources in terms of technical wisdom. The church has the moral imperative as well as access to the community and credibility within the community in terms of the people who are served.

The Government can have a role of, No. 1, providing material resources for the food or providing food through the Department of Agriculture; no. 2, providing counselors in the skills that are needed in order to get a handle on developmental approaches to the prevention of future hunger.

Chairman **Leland**. Thank you, sir.

Let me turn now to my colleagues.

Mr. **Brennan**. Mr. Salamon, I wonder if you would comment on what effects tax changes have had in the last year or so and what you project they will be in view of the fact with the lowering of the marginal rates, the real cost to the giver is greater?

Mr. **Smith**. There have been several changes in the tax laws in the last several years that I think have had, on balance, a negative impact on giving. I don't think anybody is predicting a net decline in the total amount of giving, but the projections are that the growth of giving will be slowed by these changes.

The first you mentioned, the reduction in the marginal tax rate. In a sense, the tax rate is the cost of giving to a taxpayer. If you have a 50-percent tax bracket and you give a dollar to charity, the cost of giving that dollar to you is really 50 cents because you would have had to pay 50 cents to the Government anyway. If the tax rate declines to 38 percent, just to pick a number, the cost of giving goes from 50 cents to 62 cents.

So, you have an increase in a sense in the cost of giving to the taxpayer which has the effect of discouraging giving.

The tax law recently also eliminated the so-called above the law tax deduction for charitable contributions. This was a provision that was enacted in 1981 over the objections of the administration, I might note. It allowed taxpayers who claimed the standard deduction which comprises 75 percent of all taxpayers to also claim a deduction for charitable contributions anyway. This provision was eliminated in the 1986 tax reform. I think that will also have a negative impact.

There were changes and reductions in the tax rate for corporations as well which I think also will limit the charitable contributions.

Then there were changes in the laws governing bequests and inheritance liberalizing the amount that can be given to one's children without taxation. Again, that means a reduction in the tax related incentives for giving.

So, all in all, we have taken a number of actions over the last 4 or 5 years that have the effect of reducing the financial incentives to give at the same time that we are, rhetorically at least, trying to encourage people to give.

So, I think we are giving the American people a mixed signal, to say the least. We are rhetorically urging people to give, but on the hard financial terms, while cutting back on government support for nonprofits, we are also reducing the financial incentives for private citizens to contribute voluntarily.

Mr. BRENNAN. Do you have any suggestions as to what actions the Federal Government might take to encourage more private giving?

Mr. SALAMON. I think that the above the line charitable deduction is one easy good idea. It has been endorsed by people on the political left and political right for over a decade. It was initially introduced by the Filer Commission—the Commission on Private Charity and Public Needs—in the early 1970's.

It seems to me to be an easy idea. I think the concept behind it is sound. I think it gives the right message about the importance of private giving, and I think it is important to give that kind of message.

Mr. BRENNAN. Thank you.

Monsignor Coll, could you tell us what basically were the lessons that were learned from the 1984-85 famine in Ethiopia?

Monsignor COLL. I think the greatest lesson learned was that relief assistance is not sufficient, that there has to be a long-term developmental strategy on the part of, as I said, this triangle between private, U.S. Government, and local government.

The second thing that I think came on very quickly was the fact that the tensions that existed between the two states was not realized at the local level. We found that if we could get our relationships beyond the state level, we could very effectively develop a program.

Mr. BRENNAN. I recall that back in 1984, you were rather outspoken, and you said that a starving 3-year-old Ethiopian child did not need to be labeled as a communist. Is that is sort of the gist of it, that if our Government is going to help, they can't get too concerned about some of the policies of the other governments if we are serious? Plus we have to do it with long-term promise.

Obviously, the immediately starving 3-year-old girl doesn't have to worry about development, nor can she. We have to take care of the immediate concerns, but what I sense from what you are saying is that some of the problems we have had with our giving is some of the problems we have had with the different philosophies of the governments.

Monsignor COLL. Yes. In the last several years, AID has been targeted based upon whether we like or dislike or they like or dislike. That is on a State level, but how do you explain that when you walk across a field of 40,000 to 50,000 starving to death people who can't stand up? I mean, does anybody in their right mind think that they really care about the politics of the moment?

And it blows my mind to think that such developing nations can anywhere in any way be an intimidation upon the security of the this Nation. It is foolishness.

If we really are interested in furthering a democratic vision of the world in some state, then, again, let's make it available. Why punish?

And this is certainly not just a U.S. problem. This is an international mind set. We have to get ourselves unlocked.

The U.S. Government could truly do a beautiful thing if it would open this partnership and let it be an equal angular thing rather than assigning to the private sector or assigning to the developing nation a small percentage of input. We have to get away from the East-West confrontation whereby everything we do is based upon that neurosis, if you will.

Mr. BRENNAN. Thank you very much.

Monsignor COLL. You are welcome.

Chairman LELAND. The gentleman from New York.

Mr. FLAKE. Thank you very much.

Mr. Salamon, over the last few years from 1984 until now, you have referred much to live aid and other special programs that primarily were designed for high visibility, and which gave us some focus on Africa and other areas where starvation was taking place. Those programs raised a lot of money.

Give me your opinion as to how effective these programs really are in terms of where those dollars go. Are we not just, as we did in the 1960's, creating new organizations that become the conduit for the reception of those moneys and, thus, are actually creating another bureaucracy, or do those moneys actually go through organizations that have been in the business, will be in the business when the publicity has ceased? Are they effective?

Mr. SALAMON. I am not sure I can fully answer your question. I am not expert on those organizations.

I think, though, that I have two reactions. On the one hand, it seems to me that anything that increases the visibility of the problem in the mind of the American public and awakens people to the existence of a need is worth doing, and I guess I would probably say it is worth doing if 1 percent of the total revenues ended up going to their intended target, because I don't think those revenues would be better used if that process weren't undertaken.

So, my bottom line I guess is to say that I think it is an encouraging sign when people take up that cause and publicize it and deliver some amount of resources to the need. That is point No. 1.

Point No. 2, though, is to make the point that we all have to avoid kidding ourselves about what is accomplished through those kinds of one-shot efforts. They are marvelous things and they are very positive, but they are not solutions to the problem. The solutions to the problem are the long-term slugging it out that the Monsignor has told us about.

It is long-term developmental work. It requires a degree of expertise and a degree of permanence. It requires a level of resources that is reasonably secure so that over the long run, you can really get people in other countries to sign onto the long-term process of development that is going to solve these problems over the long run.

So, I think the best we could hope for is to encourage those efforts but try to direct them into channels that have a kind long-term viability to them and, that way, tap that energy and that wonderful outpouring of charitable sentiment to the long-term need that exists.

Mr. **Flake**. Do you think now that we have such an exacerbated condition of domestic homelessness and hunger that it has impacted negatively on our ability to really give the necessary focus for hunger abroad? Now that we know that the United States also has a problem, what kind of consequences do you see in terms of our ability to even reach beyond our own borders?

Mr. **Salamon**. I guess I ultimately think it will bring the problem home in a way that will awaken people's consciousness more vividly. It is hard to sustain the kind of interest and energy that is needed to cope with world hunger without some visible signs of the nature of this problem.

I think though it will sap some of the resources that could go for world hunger, my sense is that it will bring it home and the overall result will be to increase awareness which I think is the first step to increasing the levels of support both through philanthropy and through public action.

Mr. **Flake**. Monsignor, I presume that you do a great deal of world travel. What kind of readings do you get from nations that expect our assistance and then look at us and see our hunger problems, our homeless problems. Are they responding in a way that suggests that we cannot possibly be helpful to them if we cannot solve our own problems? What kind of responses do you see?

Monsignor **Coll**. Well, our hunger problems are so vastly different from what we find in the Third World that I don't think they have that point of reference. Nonetheless, they do realize that our system is also flawed and fragile, and they do not spare you the reminder that you are not doing so great yourselves.

But there is no doubt about it. We are by far the most respected humanitarian nation in the world. At the same time, there has to be a more realistic partnership. We can't go in and just tell these people what we should do because of our experience at the same time ignoring the totality of their cultural experience.

We have to listen more than we have been. Again, we have to get rid of, at least in the Third World, this East-West mind set.

Mr. **Flake**. When we talk about development as we look at, for instance, Ethiopia, we see that 2 years ago we were involved in raising significant sums of money to deal with a problem that is upon us again. I think we are projecting probably in the neighborhood of 1 million or more deaths on the basis of hunger. You talk about what I think is realistically what we ought to be talking about, and that is development.

What do you see us doing? Do you see us focusing on development in the area, for example, of building means by which we can supply water, irrigation? What do you see specifically as a primary need for us in terms of addressing development?

Monsignor COLL. We started out great in Ethiopia. Peter McPherson came in, saw the problem, and, bang, we went right to it. Against all odds, he had to go in and develop the port capacity.

We are still faced with the reality that there is less than 900 miles of paved roads in the country to service anywhere from 42 to 46 million people. We had to face the reality there were only 1,800 trucks in the country at the time.

So, you have to develop this network. At the same time, you have to develop an agricultural policy. There has never been a successful Marxist agricultural program in its history. It stands to reason it is not going to happen. So, there has to be a lot of time spent encouraging, cajoling, and developing an agricultural plan that can reflect the culture that exists.

Of course, there is a tremendous hydro problem.

Mr. FLAKE. And who develops that plan? Does the American Government in conjunction with the government, say, of Ethiopia and other interested parties, private and nonprofit, come together around that? Where do you see the plan having its emergence.

Monsignor COLL. I think the encouragement must come from the U.S. Government.

Mr. FLAKE. OK.

Monsignor COLL. The encouragement. The plan must be the local plan. But, then, the management techniques is where we can really help people, how to do what they want to do or how to best do what they know they should do, and bring in the three of us.

Mr. FLAKE. Thank you.

Dr. Gregory, we share some of the same kind of ministries, and I have the greatest deal of respect for you, because I know what you are going through. My premise has always been that the church could do a better job if the Federal Government could find ways to circumvent—and understand the language very clearly—some of the State and city bureaucracies through which money goes. It goes through about three different pockets before it becomes available.

Can you give me an opinion on how you feel we might be better able to get the money to those organizations which have less of a bureaucratic structure and, therefore, less of an overhead requirement and, therefore, more ability to get directly to people?

Reverend GREGORY. I think the Government perhaps can help best by working with the leaders of the church and identifying the indigenous leadership and dealing perhaps more directly with them. The emphasis of a congregation such as ours or others like yours is to recognize that there are strengths and there are skills within the community that we are seeking to serve.

I think there is some wastage in bringing in outside persons who must learn and must do research on people who have already a certain level of experience and a certain level of understanding.

So, I think first of all there needs to be the identification of the strengths within the structure of the local congregation and some sensitivity in provision directly, more directly at least, to that particular congregation.

The other thing I mention is that members of a congregation are taxed doubly. They are stretched through capacity because they are dealing with a number of programs. All of them are crucial. So, I think that in the Government's approach is a need to diversify it, not to just focus on giving cheese and milk to local congregations but also looking at programs that result in enabling persons to become economically self-sustaining.

Mr. FLAKE. I think we have both experienced situations where whether it is a hunger program or any other kind of program, there are people who go into business overnight and incorporate as a body for the purpose of the program. They, in many instances, become kind of a hustler of the Government, because they have that kind of mentality as opposed to the organizations like yours and mine that have been in places for over 100 years.

How do you see us best convincing the Government that those institutions that have by their very history and by demonstration of service over the years, have been able to make that delivery system work. These organizations have developed some degree of credibility. How do we make the Goverment understand the difference between what an organization such as yours might do with those resources and what a nonprofit coming into business overnight only to go out of business overnight? How do we get that message across?

Reverend GREGORY. With difficulty. That is what Shiloh has been trying to do over the years.

I think that Government often just has not seen the strength that is in the church. The church has demonstrated the capacity of people to do much with little. I think it is so important to recognize that even members of the congregation talked about the discrete poor, those who are invisible. They have been able to manage and survive with resources that would have been destructive to other persons with other lifestyles.

It is important for the Government perhaps to help the church to publicize the effective programs, the ones that are working, and to distribute those programs in ways that they can be embraced by other localities.

Some of the foundations are doing this now. This is a very recent phenomenon, but foundations such as the Ford Foundation are looking again at local congregations as systems that work and that provide with a level of integrity and credibility in the neighborhood certain services that it proposes to provide.

I think Government can perhaps take a clue from them and look again at ways in which it can raise the level of awareness to itself through the constituency of Government to see that the funds that are given to institutions that have existed for some time are not wasted but are really a part of the vital heart of the community.

Mr. FLAKE. And I think all of you would agree that the need, then, transcends issues of church and state. The reality is we are talking about human need, and I think we need the partnership to work together for that.

Thank you very much.

Chairman LELAND. Thank you, gentlemen, very much. We really appreciate your participation and contribution today.

I would like now to ask our next panel of witnesses to come forward: Mr. Peter Davies, Mr. Philip Warth, and Mr. Robert Beggan.

Mr. Davies, another friend, is president and chief executive officer of InterAction, a coalition of 112 private relief and development agencies working overseas from around the country. InterAction has taken a leading role in coordinating the famine relief efforts of American private voluntary organizations and in soliciting public contributions for the relief and recovery operations.

Mr. Warth is the president and chief executive office of Second Harvest, a Chicago-based, nonprofit organization which has committed itself to coordinating food distribution efforts across the country. He has been with this organization since 1985. In 1986, Second Harvest, through its 38,000-member food banks, distributed over 352 million pounds of food valued at more than $500 million. I would like to note as well that Mr. Warth has served on the select committee's private sector advisory board since its creation in 1985.

Mr. Beggan joined the United Way of America in 1967. Since 1974, he has served as senior vice president. In this position, his primary responsibilities include fund raising and allocating United Way grants to individual nonprofit organizations. Mr. Beggan is also a board member of the emergency food and shelter program under the Federal Emergency Management Administration.

It is indeed a pleasure for us to have you participate in this hearing today. Thank you, gentlemen.

Mr. Davies, if you will, you may proceed.

STATEMENT OF PETER DAVIES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTERACTION

Mr. Davies. Thank you, Chairman Leland.

It is a pleasure to appear before this important committee once again, and I congratulate you for the excellent work you are doing to focus public attention on the critical issues of hunger and poverty in the third world as well as here in the United States.

The issues that you are discussing today are most critical. The partnership between Government, especially AID, and the private voluntary organizations or PVO's is an essential element in the response to famine and to achieving effective development in Africa, Asia, and Latin America. I want to emphasize that I am referring here not only to the U.S. PVO's but to indigenous and international organizations as well.

Each does need the other, as was evident during the African famine. The PVO's were an essential service delivery vehicle for the food and other aid that the government provided, and the threat of another famine, as you all know, is all too real.

Once again, the U.S. PVO's will play their critical part. For example, they will distribute the 114,000 metric tons of food aid that has now been put forth through the Public Law 480 Program by the U.S. Government, and that will be distributed by the PVO's.

But way beyond just a service delivery vehicle, the PVO's are an important vehicle or engine, if you will, for providing grass roots development. You heard from Monsignor Coll on this point. The point that I would like to stress is that the PVO's are a way to work with community groups, with indigenous voluntary organizations, with local government departments of health, agriculture, forestry, with women's groups, with cooperatives to provide potable water, grow more food, plant trees, improve nutrition, immunize children, and provide family planning information and services.

The point is that the funding for these dynamic programs comes from two sources: from governments, including the multilateral agencies, and from private contributions. It also comes from the people themselves mobilizing local resources, both human and material.

Government funding of private voluntary organizations makes it possible for many of the PVO's to multiply their impact way beyond what they could achieve without Government funding.

While I do not want to burden you with too many figures, let me cite just a few.

As of September 30, 1985, the latest year for which we have data, there were 170 PVO's registered with AID. They received $1.466 billion in private contributions—and I emphasize private contributions of cash, supplies, and equipment—and the U.S. Government provided them with a total of $1 billion in the form of grants, contracts, U.S. Government-owned excess property, ocean freight subsidies, and Public Law 480 donated food.

On a broader front, according to a draft OECD report, "Voluntary AID for Development: The Role of Non-Governmental Organizations," prepared by the Development Assistance Committee, $3 billion for developmental activities was raised from constituencies and just half of that, $1.5 billion, came through aid organizations.

However, the statistic I think is perhaps of greatest interest to this committee is that our own organization, InterAction, has just completed an update of its member profiles for over 100 members. This shows that Government funding of these PVO's—and some do not accept any Government funding, particularly some of the church groups—amounted to approximately $530 million. That may be a slightly low estimate, but our figures show $530 million came from Government.

The total income of the 94 of these InterAction member PVO's in the survey was approximately $1.890 billion in 1986. Hence, the proportion of Government funding clearly represents a significant factor of the total.

My figures do differ somewhat from Mr. Salamon's, and I think that one reason is that he focused on the primary agencies that receive a lot of donated food commodity, and the value of those food commodities inflates the figures. But there are many other organizations that are primarily receiving private donations but for which the public donations is an absolutely essential part.

But the cold figures do not tell the story. That story is a dramatic one.

Whether we are talking about helping refugees in Afghanistan or rural community development projects in Honduras or digging wells or planting trees where deserts are invading the cultivatable land in sub-Saharan Africa, PVO's are constructively applying public funds as well as their own privately raised resources to carry out programs that motivate and apply self-help principles, thereby providing dignity to those on the very edge of subsistence.

I have worked for over 25 years both within Government with AID and in family planning programs with the International Planned Parenthood Federation and with a PVO, Meals for Millions/Freedom from Hunger Foundation, and have seen at first hand how dramatic are the changes in peoples' lives that these projects make.

In Ecuador, I have seen families that have cleared, cultivated, and harvested land that was held communally and to which the peasants did not have title. Through the efforts of the local Ecuadorean program director working with the peasant farmers, the Ministry of Interior eventually was persuaded to grant title, whereby the farmers for the first time have collateral to obtain credit.

It took 3 years to obtain those titles, and I was enormously impressed on a subsequent visit to see how those families had improved their houses and added new roofs and were sending their children to school and were improving their living standards, albeit still at a very low level.

That single example that I have just described happened to be a program of Meals for Millions that was operating under a matching grant from AID from the Office of Private and Voluntary Cooperation.

I could describe dozens or even hundreds of similar successful development programs, but the important point is that these PVO projects, usually funded jointly by AID and with private contributions, extend and complement what AID, the multilaterals, and the host governments and other governments are doing.

PVO's can innovate, they can take risks, they can demonstrate ways to reach or to motivate, and they can catalyze and organize people. PVO's can develop models for microenterprises. They can organize social agroforestry projects and they can teach communities environmentally sound cropping practices. They can teach nutrition, provide family planning services, and do a great deal to improve the lives and opportunities of families and communities.

They are much less successful, however, and not appropriately positioned to influence governments to change agricultural pricing policies, to develop the urban infrastructure, to pay the salaries or provide the transportation necessary for a ministry of health or agriculture, for example.

In short, PVO's can be effective delivery vehicles for culturally attuned people-to-people community based initiatives. They can, in partnership with governments, reach people and motivate people to take the necessary steps to develop their own capacities and to break out of the cycle of poverty and chronic hunger.

That brings me to another essential point, Mr. Chairman. The social and political environment in which PVO's and governments are working is changing. Our southern colleagues are telling us northern PVO's that we must do more to bring home to our own Government representatives that the economic policies, the debt burden, the commodity prices, the trade barriers, and the like are undoing and inhibiting development in their countries to an enormous extent.

Their other message is that we northern PVO's should do more to help them strengthen the indigenous capacity of southern nongovernmental organizations to undertake development projects.

Just 2 weeks ago, I returned from a meeting of the World Bank Non-Governmental Organization Committee in Santo Domingo hosted by Solidarios, a southern NGO. At that meeting, once again, the above messages were heard loudly and clearly.

I am pleased to report that the reorganized World Bank under your former colleague, Barber Conable's able direction, is becoming much more attuned to and is in fact looking for ways to work more closely with PVO's from the north and, particularly, from the south.

Many of the World Bank staff recognize the contribution that PVO's can make to helping build the institutional infrastructure that is essential at the grass roots level if one is to achieve sustainable, long-term development. This is a breakthrough for the Bank. It underscores the point of this hearing that without the complementarity of the public governmental sector and the private voluntary sector, it is not likely that effective, sustainable development will be achieved.

Before closing, let me dwell on another critical factor, the recurring drought in subSaharan Africa. This is on top of the critical hunger striking the people of Mozambique and Angola, largely as a result of South African destabilization policies.

I know, Mr. Chairman, that this committee is most concerned with the likelihood that we will face another catastrophic famine in Ethiopia in 1988. Famines and droughts do not recognize borders, and the rains are again failing.

My son, for example, has written of the crop failures and possible dire consequences in the Sudan where he is working with the U.S. Save the Children Federation in a Band Aid/Live Aid funded agricultural program. He writes:

> Rainfall has been sufficient only in the southern areas of the Um Ruwaba District during the 1987 growing season. The Um Dam Rural Council, as well as northern Wad Ashana and Um Ruwaba Rural Councils are facing a complete harvest failure as devastating as during the drought years of 1983-85. Rainfall has been so minimal and so late in the Um Dam Rural Council that there is no pasture whatsoever for remaining livestock.
>
> Consequently, SCF market surveys have begun to indicate distress sales of remaining livestock in the Um Dam market, with the number offered for sale increasing from 200 animals in the last week of August to 1,200 animals in the first week of October. The SCR agriculture team participated during August with the regional ministries of agriculture, Planning and animal resources, and OXFAM/UK in a regional rapid assessment survey to quantify the expected shortfall in cereal crop harvest. The SCF Agricultural and Outreach Programs are working together with the local and regional government to ensure that food supplies are available for the population of Um Dam Rural Council and other affected areas.

We at InterAction are again, of necessity, playing an important information role to the media and the general public as we receive reports from our members on what is ahead. ABC and NBC television have both flashed InterAction's address on their screens as they report the impending return of the crisis on their national news broadcasts.

We will be holding a meeting to bring together representatives from the PVO's who are already working in Ethiopia and other potentially drought-threatened African countries along with representatives of AID, the State Department's Refugee Bureau, and the Secretary General of the United Nations' African Emergency representative to compare notes and discuss how, as a collaborative undertaking, we can collectively be prepared to save lives as we did last time and to avert another crisis by responding now with food, stocks, trucks, medicines, logistical management so that we can keep families in their own villages and avoid their trekking to the cities and into huge camps.

In 1984 and 1985, you will remember, the PVO's supported this select committee and the Africa subcommittee in passing the Weiss-Wolpe bill appropriating $800 million in supplemental relief assistance for the African crisis. The administration, you will recall, suggested the need was for only about $400 million.

Well, I hate to have to contemplate that we may face the same lack of administration support in light of the Gramm-Rudman-Hollings constraints. I must congratulate, however, those responsible for already pledging the 114,000 metric tons of grain for Ethiopia so promptly.

I foresee once again that the PVO's will face an uphill battle with the administration to obtain the essential funding for not just food but for inland transport, logistics, medicines, and tools. You remember, I am sure, Mr. Chairman, our discussion about the shortage of inland transport.

I am also, however—and I think this goes to a very essential point of this hearing—not so sanguine that the public support will be there. Our own studies, as evidenced by the responses to our member profile update mentioned earlier, indicate that the PVO's have absorbed a most disturbing decline in public support for their programs. It is obvious to me and to my colleagues that the PVO's simply lack the resources to mount an effective relief operation without sufficient AID support.

We have already heard from Monsignor Coll about operating in Ethiopia, and it is a difficult country to work in. The poverty, the restraints placed on PVO's by the Ethiopian Government, and the civil war that continues to rage mean that the relief agencies and their magnificent workers should be applauded and given much more recognition than they are.

The trucks and supplies that were brought to Ethiopia and to surrounding countries, the bridge that was built across the river in Chad with Band Aid/Live Aid and U.S.A. for Africa funds in large part, and the $40 million of U.S.A. for Africa funding and $75 million from Band Aid/Live Aid have been reported on numerous occasions. For the record, recognizing that there were inevitable delays in releasing the funds that were raised through the world's generosity, nevertheless, thousands of lives were saved in Ethiopia and the other famine afflicted countries.

That much of the funding was directed also toward longer-term development programs carried out by the private voluntary organizations, by United States, British, European, and indigenous African groups, is also to the great credit of both U.S.A. for Africa and Band Aid/Live Aid as well as to the private voluntary organizations and the United Nations agencies that worked collaboratively with these two groups.

I would like, as an example of this creative use of funds from Band Aid/Live Aid, with your permission, to insert in the record the executive summary of an agricultural development program in Um Ruwaba District, Kordofan Region, Sudan submitted by the field office of Save the Children, because I think it demonstrates the effective use of those funds and perhaps will dampen down the unnecessary and unfortunate criticism that we have heard from some politically motivated forces.

Chairman **Leland**. Without objection, the additional material will be entered into the record.

Mr. **Davies**. Thank you very much.

In summary, I have cited quite a few examples of collaboration between government, the multilateral agencies, our own foreign assistance program (AID), and the private voluntary organizations.

One thought I would like to leave with you is that we have come a long, long way in a few years in building an effective partnership. Each, governments and PVO's, has its strengths and brings to the table what it can do best.

We are an incredibly diverse community of PVO's. As a country, the United States has pioneered, as we have heard from Mr. Salamon, in the establishment of a voluntary sector supported through the generosity of the American public. But as you are aware, the amount necessary to carry out the relief, refugee resettlement, and the development programs that are essential to achieving a world where poverty and hunger, where disease and infant mortality are drastically reduced, where opportunity and human dignity reign can only come about through a partnership that must involve at least four partners:

First and foremost, the people in the Third World themselves;

Second, the national governments;

Third, the bilateral and multilateral organizations; and

Fourth, the private voluntary organizations.

That partnership is already stronger today than it has been in past years, and with the focus that your Select Committee on Hunger is bringing to the issue of eradicating world hunger, we can together build the political will to wipe out the scourge of hunger from this Earth.

I thank you for your patience, and I would be glad to respond to questions or submit responses for the record.

[The prepared statement of Mr. Davies appears at the conclusion of the hearing, see p. 81.]

Chairman **Leland**. Thank you, Mr. Davies.

Mr. Warth.

STATEMENT OF PHILIP WARTH, JR., PRESIDENT AND CHIEF EXECUTIVE OFFICER, SECOND HARVEST

Mr. **Warth**. Good morning, Mr. Chairman.

First, let me say that I appreciate the opportunity to appear before the committee today, and I would like to applaud you and the committee for your efforts in dealing with the issue of hunger. At times, this committee really serves as a beacon for those of us who work in the hunger area, because through tough times or not so tough times, it is an important manifestation of Congress' concern with the issue.

So, I thank you for what you do to focus attention on the problem.

I am the president and chief executive officer of a rather unique organization known as The Second Harvest National Food Bank Network. What I would like to do is really divide my testimony into two parts this morning, one to bring you up to date on the background and the achievements of Second Harvest and then, second, to talk a little bit about the initiatives and the actions of the government which might more appropriately bring some relief to the issue of domestic hunger.

The Second Harvest National Food Bank Network is indeed a private sector initiative that is very active in attacking the crisis of domestic hunger. We were founded in Phoenix, AZ in 1979. We are an umbrella organization serving a nationwide network of over 200 food banks. Our primary function is to solicit donations of surplus food from manufacturers and retailers which we in turn distribute to the warehouse/distribution centers known as food banks all over the country.

Rather than serving needy individuals, our food banks serve the local charities which serve needy individuals. In 1986, we distributed 352 million pounds of food to some 38,000 charities all over the country. These charitable feeding programs included soup kitchens, homeless shelters, day care centers, church pantries, and a raft of other organizations offering feeding programs for the needy.

We are continuing to grow and fully expect to increase the amount of food we distribute by 15 percent this year.

Though governmental financial support once comprised a critical component of Second Harvest's funding, we have been totally supported by private contributions since 1983. The generosity of 55 corporations and foundations as well as small contributions coming from hundreds of Americans form the base of our financial support.

Our rapid growth comes as a result of a highly successful partnership we have forged with the American food industry who, in turn, have recognized Second Harvest's high standards, the efficiency of our operations, and the broad base of community support which has been critical to the success of Second Harvest's food banks throughout the country.

In working with the food industry to secure donations of food, we have also had a wonderful opportunity to educate this segment of corporate America on the dimensions of the hunger problem our country experiences. We have also had an opportunity to raise their sensitivity toward the issue of hunger, resulting in steadily increasing cooperation in the form of contributions of food products, equipment, and, importantly, financial support.

A critical element in Second Harvest's success is our ability to provide participating companies with strict accounting allowing us to report exactly where the food is going, and who it is going to. In addition, we maintain network-wide standards for warehousing practices, food handling, sanitation procedures, et cetera. This allows the companies which donate food to do so with an assurance that the food is being received in an edible and nutritious condition and any liability or risk to the corporate or brand name is limited.

Due to the unique nature of the system we have established, the professionalism of our food banks, and the active involvement of thousands of Americans working with their local food banks throughout the country, we have established a permanent mechanism for the cycling of food which, for whatever reason, the industry would prefer not to market through normal channels. This is important because, in fact, before the advent of Second Harvest, most of the 352 million pounds which we distributed would have been thrown away.

Our efforts in total have led to our becoming the largest charitable feeding program in the country and, as far as I am aware, the only national distribution network of any kind.

While we serve the needy and provide food to the needy, in reality, we accomplish three purposes at Second Harvest.

We provide the sustenance of life to many needy Americans by augmenting the food supplies of local charities.

We also prevent food waste by recycling food products which might otherwise be thrown away for lack of an efficient donation/distribution system.

Third, we provide tremendous budgetary relief to local charities by freeing up funds that would otherwise be used for the purchase of food, enabling the charities to use that money for services. For example, a homeless shelter in South Carolina with which I am familiar was able to increase its number of beds by 50 percent due to the cost savings provided because food was made available through the local food bank.

We continue to explore new initiatives for obtaining edible, nutritious food which will allow us to increase our impact nationwide. These initiatives range from the processing of bulk commodities to exploring cost effective solutions to handling prepared food. Thus, we are cautiously optimistic that our ability to serve the needy will continue to grow.

As effective as we are, however, we have some very significant limitations. One is that we are indeed a reactive system subject to the vagaries of the industry. Therefore, we cannot guarantee any of our charities a regular supply of nutritious food or a varied diet which might comprise the heart and soul of a feeding program.

In addition, as effective as we are, the 352 million pounds of food that the Second Harvest network distributed last year has as financial value of only about $0.5 billion. When you begin to compare that to some of the cuts in Federal feeding programs alone over recent years, you begin to see that Second Harvest, operating at its best, can address only a small part of the domestic hunger problem.

Most of you know that our growth is also the result of continuously expanding need for our services. Since hunger in America is now more prevalent, certainly, than at any time in the last 25 years and, arguably, at any point since the Great Depression; cutbacks in Federal feeding programs, the Farm Belt crises, almost a decade of dislocations in the job market, and other forces mean that today millions of Americans experience hunger in one form or another.

The irony is, of course, that we have tremendous food waste in this country with approximately 20 percent of all food being wasted between the field and the table.

Rather than being overwhelmed by the fact that we can address only a small part of the problem, those of us who comprise the Second Harvest network are fortified by the fact that our efforts do make a difference for millions of Americans. We can also assure you that we will continue to explore all viable alternatives for capturing food which might otherwise be wasted and channeling it to the needy.

While there are those that accuse us of simply treating a symptom, there is truth to that. The reality is if you are the one who suffers from the symptom, you know how critical it is that it be addressed.

While we have been successful, while we are pleased with our growth, while we are pleased with the impact we have, I must also share with you and point out that recent governmental initiatives certainly threaten to work to our long-term detriment. Specifically, the tax reform legislation of 1986 provided lower corporate tax rates which have had the effect of reducing the economic incentive for companies to donate food by almost 25 percent.

In addition, the elimination of the provision for most Americans to deduct charitable contributions from their taxes has been eliminated. It was pointed out, I think, by Mr. Salamon earlier this morning that the expectation is that this will indeed have a significant effect on charitable contributions in this country.

While for the most part I can applaud the wisdom and the intent of tax reform, I think it is important that as we ask the private sector to play a stronger role in addressing America's social needs that more consideration be given to providing incentives which encourage rather than discourage participation in private charity.

In this case, for example, the lessening of the value of the tax deduction actually increases the incentive for dumping rather than donating food. I would, therefore, suggest that a reevaluation of donation incentives by the Congress is in order so that policies that foster greater private sector participation can be put in place.

Certainly, the reauthorization and on-going support for governmental feeding programs such as TEFAP, WIC, Food Stamps, and the School Lunch Program is absolutely critical if we are to prevent the problem of hunger from widening further. Despite debilitating cuts in most of these programs in recent years, they do in fact serve as a critical portion of the safety net in our society.

Next, while modest amounts of USDA commodities are presently being distributed through TEFAP and other programs, distribution could be widened to provide further assistance. Hunger and national distribution networks meeting standards such as Second Harvest's could effectively be employed by the Government.

I must say that I was not only surprised but shocked to read the story yesterday on the pending cutback in the Agriculture Department's commodities programs. This is something that was certainly not anticipated by us, and there is no question a 50-percent cutback in USDA commodity distribution is going to have a significant and lasting impact on our ability to be able to feed those in need throughout the country.

I can, however, say that to the extent commodities exist and are available, we make ourselves available to work with the Federal Government to assist in the distribution of those commodities.

Next, we must acknowledge that governmental benefits which have survived recent cuts provide unrealistically low levels of support. As you know, the average benefit under the Federal Food Stamp Program calculates to about 49 cents per person per meal, meaning that a family of four is expected to feed itself for approximately $2. As you and I know, that is essentially an impossible task.

Government-supported programs such as the Food Stamp Program must be brought up to reflect the realistic cost of living in the 1980's.

Also, the Government can develop a system that allows for the problem of hunger to be understood, including the establishment of a vehicle that will allow us to measure the problem on a credible basis. The problem of hunger begs for bipartisan support and objective study, not the sort of research that turns the issue into a political football.

Only by developing an objective means by which we can measure the dimension of hunger on a national basis will the American public and the Congress be able to make informed decisions on the amount and nature of support necessary either through governmental programs or new incentives involving the private sector.

Ultimately, of course, the best thing the Government can do is foster a sound economic climate that allows those who want jobs to receive employment which also pays a living wage. Surveys of our food banks indicate that the fastest growing component of those needing assistance with food are indeed the working poor, the people who work a 40-hour week for minimum wage.

As I am sure you are aware, a household head expected to support a family on a minimum wage is going to fall approximately 25 percent below the poverty level simply because the minimum wage has not been adjusted in about 6 years.

Making this problem doubly difficult is the fact that because of their pride, many of the working poor are reluctant to even avail themselves of Government benefits which might be available despite the fact that they cannot make ends meet.

I would suggest that without some remedial action that will allow the minimum wage to keep up with increases in the cost of living, the number of working poor will continue to dramatically escalate.

By creating an environment for a stable economy and by assuring that those who work are paid a livable wage, we can minimize additional demands on Government and have the nonprofit, charitable sector assume its historically appropriate role of addressing the needs of those small numbers in our society who have fallen through the cracks.

Finally, I would be remiss if I did not call attention to an unfortunate recent trend in our society which is the politically expedient habit of viewing those who need to avail themselves of governmental assistance as slothful ne'er do wells. The incorrect and inflammatory welfare queen imagery which has been used among politicians of both parties has made it extremely difficult to develop a public understanding of the problem of hunger and to generate appropriate political action.

This tarring and feathering of the poor must stop if we are to support change whether it be through increased private sector involvement or governmental aid.

In closing, let me suggest that the issue of hunger is not a liberal issue, not a conservative issue, not a Democratic issue, and not a Republican issue but an issue that belongs to all of us. The sooner we recognize hunger as an issue that we all have a vested humanistic, economic, and societal interest in solving, the sooner we will be able to come to grips with the problem.

I thank you.

[The prepared statement of Mr. Warth appears at the conclusion of the hearing, see p. 87.]

Chairman LELAND. Thank you, Mr. Warth.

Mr. Beggan.

STATEMENT OF ROBERT M. BEGGAN, SENIOR VICE PRESIDENT, UNITED WAY OF AMERICA

Mr. BEGGAN. Thank you, Mr. Chairman.

I, too, would like to commend the Select Committee on Hunger for your year-round attention to this problem.

Earlier, one of your colleagues asked, what can Government do? By giving attention to the crisis situation in our country, you are doing a service to us all.

There are very few things that are more frustrating that the barrage of telephone calls and inquiries you get from the media through Christmas and Thanksgiving asking for what is going on in the hunger and homeless area. We keep on telling them it is not just a holiday problem. We always get their phone numbers, call them back in June, and say how about another write-up and another article? But we sort of have a fickle situation here in our society.

Many hungry are really at a way station on the way to homelessness. It is sort of frustrating to sit here and listen to all of the things that I basically agree with.

Monsignor Coll talked about his organization's moving from a relief focus to developmental institutions. To a large degree, I think the domestic PVO's in the United States are tending to go the other way. They are moving from the developmental to relief agencies basically. Where we used to have and still have, in effect, noble goals to help change the lives of people while Government was providing the basic services, we are now fighting a holding action to keep people nourished or keep them housed.

So, it is sort of frustrating.

We have heard a lot about the discrete poor which I think is a neat way to explain it or the hidden poor. We see more and more of the nouveau poor, the individual that 2 or 3 years ago was a strong United Way supporter with dollars and volunteer time and is now going through those lines in soup kitchens.

We are concerned also about the home bound elderly, people who are eating pet food if they are eating at all. Families are still out there sleeping in cars that we never see through agencies. Then, there are the invisibles, the people who live on onion and potato soup for a winter while people go by their houses and think everything is wonderful. They have made a conscious decision in a choice between nutrition and warmth and have usually elected for the latter.

Last, and I think Philip hit it pretty clearly, is the issue of the underemployed or the working poor. There are just far too many of those people in our society.

United Way system and the agencies its supports, just to give you some figures, in our overall emergency assistance funding has moved from $722 million to over $1 billion in 1986. That includes our disaster services as well as food and nutrition, Salvation Army, rape counseling, and all of the crisis services having to do with child abuse, spouse abuse, and things like that.

Food and nutrition funding in 1981 was $4.7 million. We have gone up over 207 percent to $14.5 million in 1986, and those are figures primarily from major cities. A lot of the rural areas which also have hunger problems, as you well know, are not included in those data.

I was pleased to listen to the chairman's opening remarks in terms of what the voluntary sector can do in terms of leveraging resource which is really something that we are proud of. In Denver, the United Way provides five times more funds than the entire Emergency Food and Shelter National Board Program. In Chicago, for every dollar of Government funds that go in for food activity in the city, we are able to work with the corporate sector to produce $2 in matching gifts so we can get more bang for the buck that way.

In the testimony I submitted, we talk a lot about collaboration and cooperation with Government. One of the things that is the most notable, in my opinion—and I am biased because I have been part of it—is the work that came out of the job stimulus bill in 1982 and 1983 called the Emergency Food and Shelter National Board Program where the Congress saw fit to set up a funding system using Federal moneys funneled through the Federal Emergency Management Agency to a voluntary board represented by United Way, Salvation Army, Red Cross, Catholic Charities, National Council of Churches, Council of Jewish Federations, and FEMA which acts as the chair.

That has been an incredibly successful program. The fact is that at administrative costs of less than 1 percent to run a program, we were able to do the following in the last 3 years:

We have allocated $375 million plus some interest income that we would receive and didn't take for administration but put it directly into services. We were able to provide with those funds 318 million meals at an average cost of 69 cents, again using the voluntary initiative and cutting costs every which way.

We have been able to provide 88 million night's lodging for the homeless at an average cost of $2.29. I recently saw a study from Los Angeles where the average cost for a night's lodging would be over $14 in that particular city, so we are pretty proud of those data.

That program, in addition to funds, has provided a number of other things. It has local and State governments working together with the voluntary sector like has never been before and, quite honestly, it has the voluntary sector working with the voluntary sector like never before.

In many communities, we have had places where the Salvation Army and the Red Cross hadn't talked to one another or the United Way has not talked to one or another of the others. In substantive ways, they are now coming together in this coalition effort to deal with some serious concerns.

I can recall one West Virginia food bank situation where we were funding one in the first rounds of the program where one food bank had a tremendous amount of butter. Five others we were also funding in the State had none, and we were able to broker them together and cross fertilize.

One interesting note in the FEMA Emergency Food and Shelter Program you may be interested in is that we have tried at United Way of America which acts as the secretariat—meaning we run and administer the program—to try to hire, where possible, those people we are directly trying to serve through the program. Literally, some of our best employees, at least one or two permanent and clearly a number of part-time employees that we bring in for the peaks and valleys of getting checks out are people we take out of shelters and are homeless themselves who have skills.

The limitations of the program include, as I indicated, it was somewhat too little and clearly too late in the early stages of 1983. Our biggest concern is the irregular appropriations process.

I also have to stop and commend the Congress. We are very grateful for what has happened with the Stewart B. McKinney Act. That in itself is not the panacea, but it will help us tremendously.

The question, again, was what can Government do. If you can monitor that and make sure the time lines are down, make sure the appropriations are at the proper level, it could benefit all of the voluntary sector.

It has come out here but maybe not this clearly in the previous testimony, and that is the voluntary sector is tired. We are depending on volunteers, and you just can't do that forever. We have responded to an emergency, but we are now institutionalizing this emergency, and it is very difficult to do it and to do it, in the case of the program I just talked about, on a 2-percent cost basis.

So, another thing Government can do is help us recoup, maybe not all of the costs because we are in it with you, but at least a little better cost recovery so that we can give some rest to some of the people who are working tremendously both on the staff level and volunteers as well.

My suggestion—and it sounds pie in the sky but I know from personal experience working with corporate America and labor that it works—is that Government has to stay involved. This thing that was in USA Today in the Opposing Views section when a person says, "the very existence of Government programs for the needy can discourage private giving and that does them the most good" I don't believe. You are in it with us. If you aren't there, that is an excuse for people not to give.

Let the Government do it is the wrong attitude, but we have to have some balance here.

So, we need coalitions between governments, not the Federal sector alone. State government has as responsibility here. Municipal and county government, if we can get them to the table, have a responsibility.

The reason the FEMA program worked so well for us is that the voluntary sector wasn't sitting back from the table waiting for the crumbs to fall. We had no total control but some degree of say as to where that money went, and that pushed people into cooperation.

So, it is governments, the voluntary sector, and business is interested. Let's face it, with corporate restructuring, a lot of the very people we are helping worked for corporate America, so they have a responsibility here, and I think they will respond to it, especially if people with your image, visibility, and stature can push them into it. We will push them from the other end.

Labor leaders—the same thing every time we have asked them to help. We built a shelter in 48 hours in Los Angeles using the building trades. It went up just like that. They are willing to put in time and money, especially time.

The last one I thought was interesting is youth. As a volunteer in a feeding program myself, I see more and more women coming in as recipients of services, but I also see more and more kids coming in to help serve. Ten years ago, it wasn't that way. Their parents were in or the elders from their church or what have you. Now, there is an energy there that says to me that young America cares.

Again, by your example, you can help us. So, thank you for your caring as well.

[The prepared statement of Mr. Beggan appears at the conclusion of the hearing, see p. 92.]

Chairman LELAND. Thank you. I thank all of you for your statements.

Mr. Davies, can you give us your thoughts on the impact to the InterAction organizations if the percentage of private funding required for AID grants were to be increased from the present 20 to 50 percent, as is being proposed?

Mr. DAVIES. Yes, I certainly can. I have become very concerned about the impact, because it would impact primarily some of the more innovative and newer private voluntary organizations that are very important to AID to carry out its objectives of reaching the grass roots.

Of our membership, certainly 15 and now it may be higher such as 20 member agencies of our membership of 111—and there are some other agencies that would be impacted that are not members of InterAction, some labor groups, some co-ops, and so on—would be very, very severely impacted to the extent that some of them would either have to close because of their heavy funding from AID or would have to cut back their programs.

The other part of the equation, I think, is very important to recognize, too. Setting a percentage is not the only way to make certain that the private voluntary organizations are effective, autonomous institutions that are not dependent on Government funding. The private voluntary organizations have their own boards of directors, their own development philosophies. They are accountable for their funds through independent audits.

I think that it is foolhardy to believe that somehow a PVO is not a PVO if it receives substantial Government funding. The main point is, is the institution carrying out the longer term objectives of our foreign assistance program effectively? That is a measure that AID itself, its office of private and voluntary cooperation, its mission directors in the field, and others can assess.

So, I do believe that it would be very foolhardy and would actually defeat the objectives of the foreign aid program itself if you were to increase the percentage of private funding that is required.

Chairman **LELAND**. Mr. Warth, based on your experience, how successfully has the private sector been in filling the gap left by declining Federal support for food programs?

Mr. **WARTH**. It is very difficult to tell, Mr. Chairman, because we have no measure on which everyone agrees about the dimension of hunger. However, based on all of the studies and the surveys that we undertake periodically with our food banks, I would say that we can conclude we serve no more than somewhere between 7 and 15 percent of the problem on a nationwide basis operating at our best.

Mr. **EMERSON**. Mr. Chairman, we have a quorum call now that is probably preliminary to a vote. Do you intend to continue with the hearing following the vote?

Chairman **LELAND**. That is a good question, Mr. Emerson. What is the will of the committee?

Mr. **EMERSON**. I would like to pursue some discussion with these gentlemen at the table if your schedule permits the committee to reconvene.

Chairman **LELAND**. I would like very much for us to come back. The problem is I am slated to participate in the general debate on the floor on the foreign affairs authorization bill, but this is at least as important as that debate, so I think I will reconvene the committee when we come back from the floor.

I hope that doesn't impose too much disruption on the gentlemen at the table.

Mr. **DAVIES**. Mr. Leland, my question to you, sir, is when would we reconvene, because I have a luncheon engagement with the director of the African Development Foundation and have to get back to New York by 5 p.m. to meet with Mr. Hocke, the United Nations High Commissioner for Refugees.

I would be eager to respond to some of the questions that I am sure you have, but I would like some idea of the timing.

Chairman **LELAND**. We now have a 15-minute vote, which means that there is about 10 minutes left before that vote takes place. We would anticipate that there would be another 15 minute vote subsequent to that which means that the earliest we could come back would be about 20 minutes from now.

Mr. **DAVIES**. That is fine. I can certainly stay for that.

Mr. **EMERSON**. We will hurry.

Chairman **LELAND**. We will recess now and we will be back in about 20 minutes.

[Recess taken.]

Mr. **EMERSON** [acting chairman]. I will reconvene the hearing. I have had word that the chairman is detained on the floor in connection with the debate on the foreign aid bill, and he will be here as soon he can. He has suggested, however, that we proceed. We don't want to detain all of you mercilessly.

I have a statement that I want to submit for the record following the chairman's opening statement. I will not go through it now, but I would like to submit it for the record.

In summary, I commend you, and the panel that was here before you, for the outstanding work that you do, both in the domestic and international arena.

I was sorry that I had a couple of other committee meetings this morning and was not present to hear the testimony of Monsignor Coll, for whom I have a great deal of affection. When this committee went to Ethiopia at the height of the famine crisis in 1984, Monsignor Coll was there as the personal emissary of the Pope. He was of immense help and assistance to us. I regard him as a great expert in the activities of international PVO's.

Several weeks ago, or perhaps a month ago now, I was asked to go to the University of Missouri at Columbia to speak to a journalism seminar that was comprised mainly of people who report on hunger problems. Ms. Jenson of the chairman's staff was there as his representative.

There was some discussion following the presentation that I made about PVO's, and I was frankly rather amazed at the negative attitude of these participants—particularly one of the participants from New York, who just shredded PVO's. She said she hoped the PVO's would close down—that all assistance was the Government's responsibility. She was sick of pentecostal store front food operations.

While we all wish the hunger problem didn't exist, we know it is there, and it requires the response of the Federal, state, and local governments, in addition to the sensitive services that you all bring and provide in a supplemental way.

Do you encounter a lot of this hostility and negative reaction? In at least that segment of the symposium, there were people who were reporting on these problems and didn't understand the magnitude of it or what was trying to be done about it at almost any level. This one person who wasn't an advocate of PVO's obviously had the most cursory understanding of your role and function.

I was curious if you encounter a lot of reaction of that sort.

Mr. WARTH. I will try that one first, Congressman. I would say that, by and large, we don't encounter a lot of it, but it certainly exists. There is an element of the population which feels that an issue such as hunger is strictly the responsibility of the governments.

I would have to say I don't concur. I think the objective is for the hungry to be fed and that there are resources of which society can avail itself, both governmental and private sector wise.

I must say that one of the heartening things about our work—the disheartening side is that so much hunger still exists—is the knowledge that, for example, this 352 million pounds of food that we distributed would have otherwise probably been wasted or the great bulk of it would have been wasted. And that is not something that the Government can or would or should ever do anything about on its own.

I think the other thing and probably the ultimately more important aspect is that our food banks, both at the board of directors level, at the food bank level in terms of volunteers, assistance in the warehouse, and in the many campaigns to assist the food banks, involves the community itself. There is no better way for a society to understand the nature of its problems than to participate in the solutions.

From that standpoint also, I must say that the private sector offers something that the Government can't and never will be able to offer, and I think over the long term, it is highly beneficial for our society to both understand the needs and to feel like they play a role in addressing them.

Mr. **Emerson**. I concur in your answer. I thank you for that statement.

Mr. **Davies**. I also, Mr. Emerson, believe that there is a very uneven understanding of hunger issues on the part of the press. There is, by the way, a gentleman by the name of Jack Hamilton who was on loan from the World Bank to write a book on the impact of foreign assistance on communities, called "Main Street, America and the Third World." He did some excellent articles on Hattiesburg, MI demonstrating the impact on our own economies at the community level.

My experience with the press since I was very much involved with it during the Ethiopia famine 2 or 3 years ago is that it is lack of information and understanding. We have in InterAction a development education committee one of whose tasks it is to work with the press to inform them more about hunger issues.

It is the old story that it is only the sore thumb that sticks out, the wasted food if there is some waste in delivering food, rather than all of the good programs that are underway which are saving lives.

Unfortunately, hunger issues do not loom large in the minds of managing editors and others as something that people are interested in. So, we see our task—and we did recently a survey of the American public called What Americans Think; on views toward the Third World.

That study indicated that in fact the American public, by and large, does care about the hungry internationally as well as domestically, but we as private voluntary organizations have not done as good a job as we might in informing them and bringing them in in the way in which Jack Hamilton did and demonstrating the impact of hunger issues on our own economy and on our own society and in our own communities. It is not only hunger issues but also the numbers of people such as, for example, students in universities who come from overseas who are going to be ambassadors when they go back and so forth.

Mr. **Emerson**. You know, this gets into an interesting area. I know the subject of these hearings is not the media and how they report. One thing, however, that I was struck with in our Ethiopian experience that inhibited our ability to provide adequate relief quickly was the lack of an infrastructure in Ethiopia.

I don't think the problem there had as much to do with the availability of grain and other food as our ability, in a timely and appropriate way, to get it to the people who were truly in need.

Mr. **Davies**. May I respond to that?

I couldn't agree with you more, and I am glad to be able to report, as I did allude to in my testimony, that the private voluntary organizations working in Ethiopia now or sending supplies to Ethiopia—and not just to Ethiopia but to some of the surrounding

African countries; I want to make a point it isn't just Ethiopia—have learned some lessons from the previous disaster.

In fact, in the Washington Post just this morning, Julia Taft of the Office of Foreign Disaster Assistance reported on the fact that there are steps being taken by the private voluntary organizations and by the U.S. Government in partnership to be sure that the food, that the trucks and the logistical means are available to get the food out.

The issue, however, and I think we can't duck this, is that in a political situation as you have in Ethiopia where we have read about the 23 trucks that were burned by the EPLF, there is need for a safe passage guarantee on the part of both parties. Without that, it is very hard for private voluntary organizations to get the food to where it is most needed.

Yet, you are going to have much worse famine in Ethiopia if you can't get that food to the people in their villages so that they don't have to come trekking into camps. I think we can do that because we are much wiser today than we were previously, but I agree with you entirely. The problem previously was primarily one of transport.

Incidentally, our organization is holding a meeting on December 2 at which this whole issue of safe passage will be one of the items on the agenda.

Mr. **Emerson**. Wonderful.

I know you are anxious to leave. Let me just ask you one further question and we will let you go.

Since the experience there in 1984, has any study been given to the prospect of air drops that won't destroy the cargo that is being delivered? We were curious about that in 1984. These food and medical supplies couldn't be dropped because the technology didn't exist so supplies could be safely dropped from an airplane. We were wondering about sending the stuff down in a parachute, but we were told that it wouldn't work.

Mr. **Davies**. I think, Mr. Emerson, at the early stage of the crisis in Ethiopia, there were problems, but subsequently, they did develop some ways to drop these supplies effectively and with very careful bundling and planes that went relatively slowly.

When I was there which may have been after you were, I saw quite a lot of supplies coming in by Hercules 130's and being picked up by the surrounding villagers and taken out to where the people needed it most.

So, I think, again, we have learned from that experience and you will see food through air drops. In fact, I know that Julia Taft reported on that in the report, and she will be participating in our meeting on December 2. I could provide more information on that if you would like.

Mr. **Emerson**. Very good. I am glad to know that. As a matter of fact, I didn't give the paper a very thorough reading this morning, but I will look for that article.

Is that briefing going to be here in Washington?

Mr. **Davies**. No, the briefing is in New York. Most of the major agencies—not all of them—are in New York, and it is going to be on December 2.

These meetings are primarily to bring together the government people [AID], the United Nations Secretary General's African Emergency Coordinator with those PVO's such as CARE, Church World Service, Africare, Save the Children, and World Vision that are intimately involved in providing relief to Ethiopia, and other African countries. It will be chaired by the Washington representative of World Vision, and it is just a forum to provide exchange of information so that, as my colleague indicated earlier, there is this integration and collaboration and cross fertilization among the agencies.

I am very proud of the fact that InterAction has played that catalytic role in getting the agencies to compare notes and to collaborate.

Mr. **Emerson**. I wonder if it might be possible, if we can get the chairman's approval, if we could send a staff person or two from the Select Committee on Hunger to be observers at that meeting.

Mr. **Davies**. We would be delighted, and I hereby extend the invitation cordially. We would be honored to have somebody from the staff attend.

Mr. **Emerson**. Thank you. I want to talk to the chairman about that and see if we can get travel approval for a couple of our staff experts to be there and to hear everything that is going to be discussed. I think they can report back to the committee with some very valuable information.

Mr. **Davies**. Mr. Emerson, before I leave, could I make one more comment?

Mr. **Emerson**. Certainly.

Mr. **Davies**. As you may know and as the chairman knows very well because he has been part of this effort, InterAction members have been very concerned about continuing, as Monsignor Coll was talking about this morning, to pay attention to Africa and the longer-term issues, getting at the root causes and not just the short-term famine response.

As part of that, as you may know, there is a section of H.R. 3100 of the foreign assistance bill that is now before the House, calling for an African recovery and development fund of $450 million—which is only the level, incidentally, of assistance to Africa in the past—at least to maintain that level despite the Gramm-Rudman-Hollings restraints.

I and my colleagues are very, very concerned that that African recovery and development fund remain in the foreign assistance bill and not be emasculated for other reasons. It is a small amount of money relative to the need, and it is funding that goes beyond the immediate famine and is designed to alleviate some of the problems and causes of the famine.

So, I would just like for the record to suggest that you and your colleagues on the select committee give all your support possible, both Republican and Democratic, to assuring that the African recovery and development fund be maintained at the proposed level of $450 million plus $50 million for SADEC and, if possible, brought back up to the original figure that we had requested of $585 million.

If we are not prepared to approach Africa on a long-term basis, we will be in a situation once again of penny wise and pound foolish; responses which go only to the immediate crisis and not to the real need.

This, of course, is all after the U.N. special session on Africa when the Africans have committed themselves to making the necessary changes in their own economies and have been taking the steps to improve the situation economically and socially in their own countries, we in the United States really must live up to our end of the bargain; our commitment at the U.N. special session to see that we continue to assist Africa, as its needs are so great.

Thank you very much.

Mr. **Emerson**. Thank you, Mr. Davies, and you are excused.

I wanted to ask Mr. Warth—you made a reference to types of research that become political footballs, and I wondered if you would expand upon that somewhat.

Mr. **Warth**. I did mention political footballs, Congressman, but it was around the issue of the Government taking responsibility for developing a definitive means for measuring the extent and dimension of hunger.

As you well know, virtually every study or nonstudy which has come out has been subject to great disagreement and dispute about its veracity, authenticity, or its construction. You also know the Government is involved in measuring an awful lot of things in our society.

I would like to think that hunger and nutrition is something that the Congress would feel is worthy of being measured in an objective way so that in fact we know what we are talking about, we know whether or not we in fact do have a problem and we are not left to the vagaries of political rhetoric as to whether we do or we don't.

That is simply what I was trying to say.

Mr. **Emerson**. I agree with your statement. I am also the ranking member of the Nutrition Subcommittee of the Agriculture Committee, and we concern ourselves with a lot of the same issues that this select committee does.

This committee has been pursuing an issue that we refer to as one-stop shopping. This inquiry has been in cooperation with other governmental agencies, most particularly the General Accounting Office. We have made some modest beginnings in addressing this issue.

I have observed that people who are in need of food assistance are probably also those who are in need of assistance with housing, heating and transportation. There is however, a different criterion for getting relief under all of these different programs, with horrendous application processes that must be undertaken before relief can be obtained. I just think the whole welfare system could be streamlined and better structured and organized to deliver help in a meaningful way to the people who really are in need.

It is a concern I have about the welfare reform proposals that are pending in Congress right now. I don't view the main bill that is on the table as being any kind of structural reform. I think we are perhaps going to put a little more money into the problem, but I don't think we are going to really have what could be honestly called structural welfare reform.

Of course, that in and of itself gets to be a political football, and unfortunately so. As you suggest, I think we should have as a component in welfare reform some device, some mechanism, for measuring the food and nutrition needs of our people so we really do know what we are talking about.

Perhaps I was wrong in thinking it was Mr. Warth. Mr. Beggan, did you make the reference to research of a sort that becomes a political football?

Mr. BEGGAN. No, I did not, but I concur. I have seen estimates all over the place. Depending upon your point of view, it is unfortunate the way people are pushing it around.

Mr. EMERSON. I am one who feels a little bit victimized by some of the research. At the symposium we had at the University of Missouri, Dr. Larry Brown of the Harvard Physician's Task Force made a presentation that I later read about in the Columbia, Missouri, Tribune, in which he had raked me over the coals for being unconcerned about hunger even in my own district. Nothing could be further from the truth, but Dr. Brown and I had a dispute a couple of years ago about some methodology that he employed in defining counties in the United States with large percentages of hungry people.

At my request the General Accounting Office did a review of his methodology and said his methodology was flawed and could not be relied upon. I didn't ask for that study in order to start a political fight. I asked for it for reasons with which you, Mr. Warth, might concur. That is, we really needed to know what we were talking about.

Basically, what Dr. Brown had done was to take the number of people in a given county in the United States and determine how many met the definition of poverty as defined by the Federal Government. That was in 1980. They matched that figure against the number of people in that county who were getting food stamps in, I think, 1984.

The number of people who were defined as being in poverty but were not receiving food stamps were then identified as being hungry. I didn't think that was a very realistic definition, and the GAO agreed.

For example, it did not identify Houston, TX, or the county that Houston is in as being a hunger county. I talk with the chairman all the time about people who are hungry in his district. I know what he does to try to help those people—and there are a lot of them—but they weren't included in the definition because the numbers worked out in such a way so as to exclude that county.

In summary, your point that we really need to know what we are talking about is a very valid one. As we try realistically to address these problems, I hope all of us try to avoid the political football aspect that I know is a discouragement to you and this committee.

We do, of course, have our differences of opinion about what is the most appropriate way to solve the problem, but I don't think any of us on this committee have any disagreement about the fact that there is a problem and that we need to give a lot of attention to addressing it. We need your help as well as the help of every level of government, in solving the problem.

Mr. **Beggan**. Earlier, you mentioned mostly on the international scene the lack of infrastructure. One of the disturbing things to us is the lack of infrastructure in rural America where those very store front churches are the churches that people are complaining about in that article you were talking about are the only game in town, and thank God for them.

It is amazing the number of jurisdictions that have poverty rates in the 40 percent level and unemployment rates in the 30 percent level that don't have capacity to get funds out to people in those communities.

Mr. **Emerson**. Absolutely, and I have very good firsthand knowledge of the magnificent job that food banks, for example, in my district are doing in a rural area to reach out and working with groups in small towns and villages to see that appropriate supplementary relief is there.

Thank you, gentlemen, for your contribution here today. Do you have any further comments you would like to make?

Mr. **Warth**. I would have one, Congressman, picking up on our discussion of the study.

I guess that is that I have great faith in the American people. I know my American history rather well and have seen how people have reacted in times of crisis. I believe, getting back to this issue of having a definitive study, I am willing to say that if in fact we have such a study, the only debate left is going to be the methodology for addressing the problem. I have no doubt at all about either the Congress' will to do it or the will of the American public.

From that standpoint, I think that really becomes a linchpin to dealing with the issue of hunger in the future of American society.

Mr. **Emerson**. Absolutely, and another component that really has to be in there is the incentive to break the dependency cycle. We would welcome any ideas you may have that affect that overall subject.

Thank you both for your testimony.

I would like to reserve the right for any member of the committee to submit questions in writing if they care to do so. I may have a few myself, but I don't want to detain you any longer here today.

Thank you very much.

Mr. **Warth**. Thank you.

Mr. **Beggan**. Thank you.

Mr. **Emerson**. The committee is adjourned.

[Whereupon, at 12:45 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

MR. CHAIRMAN: TODAY THE SELECT COMMITTEE ON HUNGER IS HOLDING WHAT IS PROBABLY ITS FINAL HEARING OF THE FIRST SESSION OF THE 100TH CONGRESS. IN ACCORDANCE WITH THE OLD SAYING, "WE'D LIKE TO SAVE THE BEST FOR LAST," WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO APPLAUD THE MANY EFFORTS ON BEHALF OF THE PRIVATE ORGANIZATIONS AND THEIR REPRESENTATIVES JOINING US HERE TODAY.

SINCE EARLIEST TIMES, WE AMERICANS HAVE JOINED TOGETHER TO HELP EACH OTHER AND TO STRENGTHEN OUR COMMUNITIES BOTH HERE IN THE UNITED STATES AND OUR NEIGHBORS AROUND THE WORLD. OUR DEEP-ROOTED SPIRIT OF CARING, OF NEIGHBOR HELPING NEIGHBOR, HAS BECOME AN AMERICAN TRADEMARK-- AND AN AMERICAN WAY OF LIFE. OVER THE YEARS, OUR GENEROUS AND CREATIVE PEOPLE HAVE CREATED AN INGENIOUS NETWORK OF VOLUNTARY ORGANIZATIONS TO GIVE HELP WHERE HELP IS NEEDED.

DOMESTIC ORGANIZATIONS SUCH AS THE UNITED WAY, SECOND HARVEST, AND A RELATIVE NEWCOMER ON THE SCENE, INTERACTION, HAVE ALL GIVEN THAT HELP AND TRULY EXEMPLIFY OUR SPIRIT OF VOLUNTARISM. PUBLIC AND PRIVATE ORGANIZATIONS HAVE BANDED TOGETHER TO HELP SPREAD RELIEF THROUGHOUT THE UNITED STATES AND GLOBALLY. THIS MESSAGE OF CARING ALLOWS VOLUNTEERS FROM ALL WALKS OF LIFE TO EFFECTIVELY MEET CRITICAL NEEDS AND SOLVE COMMUNITY PROBLEMS. AND, I MUST SAY THERE IS AN INTERNATIONAL NETWORK THAT DOES AN EQUALLY OUTSTANDING JOB.

I WOULD LIKE TO THANK YOU AND EXPRESS MY DEEPEST GRATITUDE TO THESE REPRESENTATIVES PRESENT ON BEHALF OF THEIR ORGANIZATIONS AND CONGRATULATE YOUR EFFORTS, APPLAUD YOUR ACCOMPLISHMENTS, AND ENCOURAGE FUTURE ENDEAVORS.

PREPARED STATEMENT OF LESTER M. SALAMON, DIRECTOR, JOHNS HOPKINS UNIVERSITY INSTITUTE FOR POLICY STUDIES

Mr. Chairman and members of the Select Committee on Hunger, my name is Lester M. Salamon and I am the Director of the Institute for Policy Studies at The Johns Hopkins University in Baltimore, Maryland.

I want to make clear at the outset that the views and opinions I am expressing today are my own and are not necessarily shared by The Johns Hopkins University or by any of the organizations that have been involved in my work.

My testimony today draws on five years of research that I have carried out on private, nonprofit organizations, first at The Urban Institute, a private research organization located in Washington, and more recently at Johns Hopkins University. It also reflects my experience as Deputy Associate Director of the U.S. Office of Management and Budget between 1977 and 1980.

My research on the private, nonprofit sector has sought to assess the scope, structure, and financing of this set of organizations and examine the relationships between nonprofit organizations and government. Five major points emerge from this work that have special relevance to this committee's efforts to assess the capacity of the private sector to respond to the hunger and malnutrition problems facing our country and others throughout the world.

1. Private Philanthropy and the Private Nonprofit Sector Are Not the Same.

The private, nonprofit sector is one of the most important, but also one of the least well understood, components of modern American life. Among the sources of confusion surrounding this sector, none is more misleading

The views expressed here are those of the author only and do not necessarily represent the views of The Johns Hopkins University or any organization supporting its work.

than the widespread tendency to equate this sector with private philanthropy and to assume that the size of the sector is equal to the level of private, philanthropic giving.

In fact, private philanthropy and the private, nonprofit sector are not the same thing at all. Private philanthropy is the sum of charitable donations made by individuals, corporations, and foundations in support of charitable, religious, or educational purposes. Most such donations are made to private, nonprofit or tax-exempt organizations, which deliver the services that private philanthropy seeks to support. However, these organizations also receive support from other sources, such as government grants, and fees and service charges.

Reflecting this, the size of the private, nonprofit sector is quite a bit larger than the scale of private philanthropy alone would suggest. As of 1980, for example, private philanthropic giving totalled $48.7 billion. Of this total, $22.2 billion went to churches, synagogues, mosques and other religious congregations, mostly for sacramental religious purposes. This left $26.5 billion for all other types of nonprofit organizations. However, that same year these other types of nonprofit organizations had total expenditures of approximately $116 billion.[1] This represented approximately 5 percent of the gross domestic product. Quite clearly, the private nonprofit sector, defined here as tax-exempt, public-benefit service organizations, is a major economic force in our country, with expenditures far in excess of the levels of charitable giving.

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[1] Lester M. Salamon and Alan J. Abramson, The Federal Budget and the Nonprofit Sector (Washington: The Urban Institute Press, 1982), pp. 17-18.

This relationship between private philanthropy and the overall scope of private, nonprofit action certainly applies to the field of international relief. For example, Catholic Relief Services, the largest private agency involved in international relief and development assistance, received $87.4 million in private contributions and donated supplies and equipment in 1985. However, the agency had a total budget in 1985 of $437.3 million, or five times as much. Similarly, CARE received $29.1 million in private donations but had a total budget of $273.6 million, or almost 10 times as much.[2] To equate the nonprofit sector with private philanthropy, therefore, is to overlook the lion's share of private, nonprofit activity.

2. Government is the largest source of nonprofit sector income.

One of the major reasons that the private, nonprofit sector has expenditures well in excess of private philanthropy is that nonprofit organizations receive substantial income from government. This reflects the fact that governments at all levels rely heavily on nonprofit organizations to help carry out public objectives. The result is an elaborate system of "government-nonprofit partnership" that takes a variety of different forms and spans virtually every program area. In fact, nonprofit organizations deliver a larger share of government-funded human services in this country than do government agencies themselves. Despite its complexities, this system of "government-nonprofit partnership" makes it possible to combine the superior revenue-raising and agenda-setting capabilities of government with the superior service-delivery capabilities of private, nonprofit groups. It has thus made it easier to reconcile our country's desire for government services with our hostility to government bureaucracy. Perhaps because of this, this pattern of service provision has deep roots in American history, stretching back into colonial New England. Indeed, some of this nation's premier private, nonprofit organizations, such as Harvard College, Yale, and the Metropolitan Museum of Art, owe their origins and early sustenance to government support. In fact, the very first social service program enacted by the U.S. Congress took the form of a grant-in-aid to a private, nonprofit nursing home, the Little Sisters of the Poor in Washington D.C., and this program became law in 1874.

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[2] Agency for International Development, Bureau for Food for Peace and Voluntary Assistance, Voluntary Foreign Aid Programs: Report of American Voluntary Agencies Engaged in Overseas Relief and Development Registered with the Agency for International Development (Washington,D.C.: Agency for International Development, 1985).

Thanks to this partnership between government and the nonprofit sector, government has emerged as the single most important source of nonprofit-sector income. As of 1980, for example, the federal government alone contributed $40 billion to the income of nonprofit organizations in this country. By way of comparison, the total amount of support for nonprofit organizations generated by the entire United Way system throughout the country that year equalled just $1.5 billion. Even if all private contributions are included--from foundations, corporations, and individuals--the total, at $26.5 billion, is still well below the federal government's contribution. A survey we conducted of private nonprofit human service agencies, exclusive of hospitals and colleges, reached a similar conclusion. What this survey revealed is that government support accounted for approximately 40 percent of the income of these nonprofit organizations.[3] Not only was private philanthropy not the most important source of nonprofit-sector income, moreover; it did not even rank second. Second place was held by fees and service charges, which comprised 30 percent of the income of these organizations. Private giving ranked third with 20 percent of the income as of 1981.

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[3] Lester M. Salamon, "Nonprofits: The Results Are Coming In," Foundation News, August 1984).

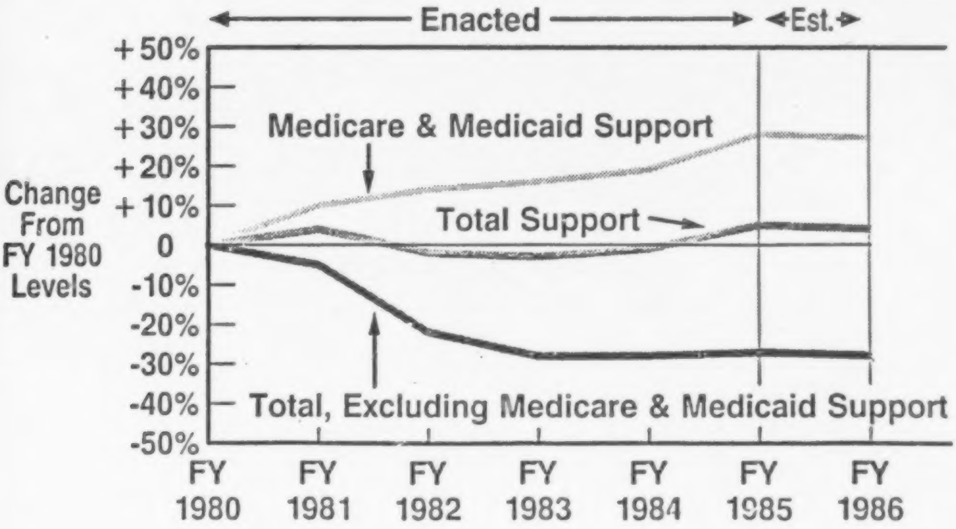
This pattern is, if anything, even more pronounced among private, voluntary organizations involved in international assistance and hunger relief work. According to Agency for International Development documents, the two largest private voluntary organizations engaged in international development assistance --Catholic Relief Services and CARE--received approximately 80 percent of their income from government, as of 1985.

3. Federal support to the nonprofit sector has declined considerably in recent years.

The reductions in government spending since 1981 in many of the fields where nonprofits are active has cut significantly into this government support for private, nonprofit organizations. These reductions were most severe in 1982 and then levelled off or were slightly reversed in subsequent years. In few areas, however, has the inflation-adjusted value of federal support returned to its pre-1982 levels. To the contrary, as reflected in Figure 1 below, the inflation-adjusted value of federal support to private nonprofit organizations, outside of Medicare and Medicaid, was 28 percent lower in 1986 than it had been in 1980. This represents a cumulative loss of $23 billion in federal support to nonprofits during 1982-86 compared to what would have been available had 1980 spending levels been maintained.

Figure 1

Changes in Federal Support of Nonprofits*



*After Adjusting for Inflation

Source: Alan Abramson and Lester M. Salamon, The Nonprofit Sector and the New Federal Budget, (Washington, D.C.: The Urban Institute Press, 1986), p.67.

These reductions were even more severe among some types of agencies than others, moreover. Thus federal support to nonprofit higher education organizations declined by 21 percent between 1980 and 1986, for nonprofit social service organizations by 40 percent, and for nonprofit community development agencies by 44 percent. In the international assistance area the declines were somewhat less severe. Yet the value of federal support to these agencies also declined, by approximately 8 percent.

What this means is that nonprofit organizations have been called on to shoulder increased responsibilities while losing a significant portion of the resources they had available to support even their prior levels of activity.

4. Private giving has not been able to offset these cuts.

Although private giving has grown in recent years, it has not been able to offset the cutbacks in government support. To the contrary, during the period 1982-86, private giving made up for only about 25 percent of the cutbacks in the value of federal assistance to nonprofit organizations outside of the health field. Nor is there much evidence that state and local governments filled in either. To the contrary, data we have assembled on sixteen localities across the country suggest that in most places state governments added to, rather than offsetting, federal cutbacks in these fields.

Even where private giving managed to make up for the direct revenue losses that nonprofit organizations experienced, moreover, it was not sufficient to offset the much larger cutbacks in overall government spending in the fields where nonprofits are active. At best, therefore, private giving allowed nonprofits to regain their 1980 service levels, but not expand much beyond them. And even this was unusual.

5. Nonprofits turned increasingly to service fees to finance their activities.

In the face of government cutbacks, the private, nonprofit sector as a whole did manage to increase its total revenues in the early 1980s, however. But it did so not so much through expanded private giving as by increased reliance on fees charged to its clients. Such service charges accounted for 75 percent of the replacement income that nonprofit organizations secured during the early 1980s.

Obviously, however, not all agencies or all kinds of services have equal access to fee income. Reflecting this, most of the growth in the nonprofit sector in the early 1980s took place in the fields of health and arts and culture. By contrast, agencies involved in social services, community development, and advocacy, as well as agencies primarily serving the poor or minorities lost ground.

More profoundly, this trend could subtly shift the focus of the nonprofit sector away from those in greatest need toward those able to pay, at least in part, for the services they receive. In addition, it could force a shift in the focus of philanthropic activity away from experimentation and the development of new models of social problem solving toward the provision of basic relief, which had previously come to be considered more of a governmental responsibility.

Conclusion

Taken together, these trends pose troubling implications for the future of the private, nonprofit sector and its capability to contribute to the solution of the human service problems of our country and other parts of the world. The central message of this work is that sound solutions to many of these problems will not be found if we begin by assuming an inherent conflict between government and the private sector. Rather than thinking of these as alternatives, we should recognize the historic pattern of partnership that has long linked these two sectors and work to strengthen and rationalize that partnership in the future. This will require government encouragement of private, charitable contributions. But it will also likely involve a continuation, and possibly an expansion, of governmental contributions as well.

NONPROFIT ORGANIZATIONS AND THE FY 1988 FEDERAL BUDGET

by

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The Johns Hopkins University

and

Alan J. Abramson
The Urban Institute

A Report to Independent Sector and the 501(c)(3) Group

August 1987

The views expressed here are those of the authors only and do not necessarily reflect the views of Independent Sector, the 501(c)(3) Group, or any other organization.

NONPROFIT ORGANIZATIONS AND THE FY 1988 BUDGET

by

Lester M. Salamon and Alan J. Abramson

SUMMARY OF PRINCIPAL FINDINGS

1. In the Budget Resolution for FY 1988 that it approved on June 24, 1987, Congress proposed to increase spending slightly over current, FY 1987 levels in six budget functions of special concern to private, nonprofit organizations. Excluding Medicare and Medicaid, the large federal health programs, spending in these areas would increase by about $2 billion, or 1 percent, over what it is projected to be in FY 1987 after adjusting for inflation. Even so, the budget resolution would still leave spending in these fields, $13.6 billion, or 9 percent, below what it was in FY 1980.

2. The spending changes proposed for FY 1988 in the Congressional budget resolution differ considerably from those proposed earlier in the Reagan administration's budget, which called for reductions of $7.4 billion in FY 1988 below existing FY 1987 spending levels in these same fields. Under the administration's budget, spending on these functions, exclusive of Medicare and Medicaid, would end up in FY 1988 $23 billion, or 15 percent, below what it was in FY 1980.

3. Assuming past relationships between overall spending levels and support for nonprofit organizations hold in 1988, the Congressional budget resolution proposals would leave federal support for nonprofit organizations outside of Medicare and Medicaid at approximately its existing FY 1987 level. This means the inflation-adjusted value of such support would be 26 percent below what it was in FY 1980.

4. These proposed changes in federal spending and federal support to nonprofit organizations come against a recent backdrop of sizable past reductions. Between 1982 and 1987, federal spending in the six budget functions of greatest concern to nonprofit organizations, exclusive of Medicare and Medicaid, declined a cumulative total of $84.3 billion compared to what would have been spent had FY 1980 levels been maintained. This in turn reduced federal support to private, nonprofit organizations by an estimated cumulative total of $23.2 billion over the same period.

5. Past experience suggests that private giving will not be able to offset these overall reductions in federal activity in fields of interest to nonprofits. Between 1982 and 1986, the latest period for which data are available, private giving offset only 20 percent of the reduction in federal spending in these fields. Despite the fact that the budget cuts levelled off after 1983 while private giving continued to grow, moreover, even in 1986 private giving offset less than half of the cutbacks in overall federal spending. Private giving has, however, managed to catch up with the direct revenue losses nonprofit organizations experi-

enced in these fields. While for the 1982-86 period as a whole private giving growth managed to offset only 63 percent of the reduction in federal support to nonprofits, by 1985 the gains in private giving over 1980 levels were almost equal to the losses in federal support. By 1986, with no additional federal cuts, the increase in giving over 1980 was more than enough to offset the reductions in federal support. In other words, by 1986 the growth in private giving had enabled nonprofits to return to the service levels they had attained as of 1980, but still left them with only limited ability to expand their activities to fill in for government cutbacks.

6. Because of continued uncertainties over the budget process, it is too soon to be sure that the proposals outlined in the budget resolution will stick. However, past experience suggests this is a reasonable assumption, at least with respect to the basic contours of the budget.

NONPROFIT ORGANIZATIONS AND THE FY 1988 FEDERAL BUDGET

by

Lester M. Salamon and Alan J. Abramson

Overview

In the face of presidential proposals for further federal spending cuts, Congress on June 24, 1987, passed a Budget Resolution for FY 1988 that would boost federal spending slightly in six budget functions of particular concern to nonprofit organizations. In particular, while the president proposed to cut FY 1988 federal spending in the affected fields, exclusive of Medicare and Medicaid, by $7.4 billion below FY 1987 levels, Congress, proposed to increase such spending by $2.0 billion.

Because of prior cuts in these programs, however, even the Congressional action, if it holds up through the rest of the budget process, would still leave the real value of federal spending in these budget functions about 9 percent below what it had been in FY 1980.

For the nation's thousands of day care centers, neighborhood organizations, foster care facilities, universities, social service agencies, and other nonprofit organizations, the Congressional action would thus provide only mild relief from the fiscal pressures of the past half decade. These pressures result from the fact that federal budget cuts have simultaneously left more of the burden of meeting human service needs on the nonprofit sector while reducing the important stream of revenues that nonprofit organizations receive from federal program sources.

In the balance of this brief report, we:

(1) Outline the background of the FY 1988 budget debate so far as nonprofit organizations are concerned, focusing on changes in federal spending between 1982 and 1987 in six broad budget functions of greatest concern to nonprofit organizations;

(2) Examine the spending levels proposed for these same fields in the Budget Resolution Congress passed for FY 1988 and show how they compare to current spending levels; to the proposals advanced by the president earlier in the year; and to spending levels as of FY 1980, the year before the Reagan Administration came to power;

(3) Compare the losses in government revenues that nonprofits have sustained in the early 1980s to the gains in private giving that they have experienced.

Throughout this analysis expenditure levels are adjusted for inflation and reported in constant 1980 dollars in order to permit unbiased comparisons with 1980 levels.[1] In addition, the analysis here relies on expenditure figures for fairly broad budget categories, known as "budget functions," rather than on data for individual programs. This differs from earlier work we have done on this topic[2] and is necessitated by the fact that the Congressional budget resolution does not set individual program spending targets but rather sets targets only for the twenty-one broad budget functions. Although we focus on the six of these budget functions that we believe have the greatest relevance to nonprofit sector organizations, it is important to recognize that these functions include some programs that have little relevance to the nonprofit sector and that there are individual programs of considerable importance to nonprofit organizations that are not covered in this analysis because they are buried in other budget functions that are not included here.[3] The picture of the impact of budgetary decisions on nonprofits that can be derived from the Congressional Budget Resolution phase of the budget process is therefore necessarily somewhat imprecise. Care must consequently be taken in interpreting the detailed numbers resulting from this analysis.

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[1] Conversion to constant FY 1980 dollars is accomplished by using the gross national product (GNP) implicit price deflator for all programs except Medicare and Medicaid. For these two programs, the deflator used is the medical care component of the consumer price index. Actual deflators are used for FY 1981-86, and congressional projections are used for FY 1987-90. See Appendix A for more detail.

I.

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[2] See, for example: Lester M. Salamon with Alan J. Abramson, The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals (Washington, D.C.: The Urban Institute, 1981); Lester M. Salamon and Alan J. Abramson, The Federal Budget and the Nonprofit Sector (Washington, D.C.: The Urban Institute Press, 1982); Lester M. Salamon and Alan J. Abramson, "Nonprofits and the Federal Budget: Deeper Cuts Ahead," Foundation News (March/April 1985), pp. 48-54; and Alan J. Abramson and Lester M. Salamon, The Nonprofit Sector and the New Federal Budget (Washington, D.C.: The Urban Institute Press, 1986).

[3] The six budget functions covered in our analysis are: Education, Training, Employment, and Social Services (Function 500); Community and Regional Development (450); Health (550); Medicare (570); Income Assistance (600); and International Affairs (150). These functions were selected because they contain a significant number of programs that met one or both of two conditions: first, they operate in fields where nonprofit organizations are active; or second, they depend on nonprofit organizations to deliver public services and therefore generate revenues for nonprofit agencies.

Background: FY 1982-87

To understand the pending proposals for the FY 1988 federal budget, it is necessary to look briefly at budget developments of the preceding half decade, since they set the context for the current debate.

Overall Federal Spending Changes

Beginning in the late 1970s, and accelerating with the election of Ronald Reagan in 1980, major reductions occurred in the real value of federal spending in many of the fields where private, nonprofit organizations are active, such as education, social services, employment and training, community development, and international assistance. At the same time, considerable increases occurred in the value of federal spending in at least one field--health--where nonprofits are also deeply involved. As a consequence, the *total* value of federal spending in the six budget functions of greatest concern to nonprofit organizations declined only slightly between 1982 and 1987. But outside of the Medicare and Medicaid programs the value of such spending declined considerably, even though Congress resisted some of the additional cuts sought by the Administration after 1982. In particular, as table 1 shows, such spending dropped from $151.5 billion in FY 1980 to $140.1 in FY 1982, recovered slightly in FY 1983, and then sank to the $135 billion level during the subsequent four years. Altogether, federal spending in these fields, exclusive of Medicare and Medicaid, declined in value by a cumulative total of $84 billion over the period FY 1982-87 compared to what would have been spent had FY 1980 budget levels been maintained. And with income assistance excluded, the total reduction was over $100 billion.

Table 1

Changes in Federal Spending in Budget Functions of Interest to Nonprofit Organizations, FY 1980-87, By Year, After Adjusting for Inflation
($ billions)

	Six Budget Functions		Excluding Medicare/Medicaid		
		Change From FY 1980	Outlays	Change From FY 1980	
Year	Outlays	Levels		Amount	Percent
FY 1980	$200.5		$151.5		
FY 1982	195.0	-$5.5	140.1	-$11.4	-7.5%
FY 1983	200.7	+0.2	144.8	-6.7	-4.4
FY 1984	192.7	-7.8	135.4	-16.1	-10.6
FY 1985	196.5	-4.0	135.0	-16.5	-10.9
FY 1986	195.0	-5.5	133.5	-18.0	-11.9
FY 1987	198.0	-2.5	135.9	-15.6	-10.3
TOTAL, FY 1982-87	$1,177.9	-$25.1	$824.7	-$84.3	-9.3%

Source: See Appendix A

Breakdown by Functional Areas

What accounts for these declines? As we have noted in previous reports, the picture differs greatly from field to field.

Education, training, employment, and social services. By far the largest portion of the FY 1982-87 cuts, as shown in table 2, occurred in the budget function covering education, employment and training, and social services. The programs covered by this budget function lost a total of $58 billion in federal support over the FY 1982-87 period. As of FY 1987, the current fiscal year, the value of federal spending in this function was projected to be 30 percent below what it had been in FY 1980.

Table 2

Changes in Federal Spending in Budget Functions of Interest to Nonprofit Organizations, FY 1982-1987 vs. FY 1980, Adjusted for Inflation
($ billions)

Budget Function	FY 1980 Outlays	Cumulative Change 1982-87 vs. 1980	Change, FY1987 vs. FY1980 Amount	Change, FY1987 vs. FY1980 Percent
Education, Training, Employment Social Services[a]	$31.8	-$57.9	$-9.7	-31%
Community and Regional Development[a]	11.3	-31.4	-5.2	-46%
Health[b]	58.2	+53.9	+13.2	+23%
Income Assistance[c]	86.5	+20.3	+0.8	+1%
International Affairs[a]	12.7	-10.0	-1.6	-13%
Total	$200.5	$-25.1	$-2.5	-1%
Total excluding Medicare, Medicaid	$151.5	$-84.3	$-15.6	-10%

Source: See Appendix A

[a] Excludes effects of loan asset sales.
[b] Includes health (function 550) and Medicare (function 570), except Medicare premiums and collections.
[c] Excludes public housing loan account

The major sources of this change were:

- o The elimination of the Public Service Employment program and the replacement of the Comprehensive Employment and Training Act (CETA) by the Job Training Partnership Act (JTPA).
- o The transformation of the existing social service and community service programs into block grants which were funded at a lower level than the pre-existing programs;
- o Reduced spending on elementary and secondary education;
- o Cutbacks in financial assistance for college students.

Community and Regional Development. The second largest reductions occurred in the field of community and regional development, where a cumulative total of $31 billion in cuts occurred over the FY 1982-87 period compared to what would have been available had 1980 spending levels been maintained. By FY 1987, the value of federal spending in this field had sunk almost 50 percent below what it was in FY 1980. Particularly important here were substantial reductions in spending for Farmers Home Administration rental development programs, economic development assistance, and community development block grants.

International Affairs. Reductions totalling $10 billion occurred in international affairs and international assistance programs during this same period. By FY 1987, spending in this field is projected to be some 13 percent below what it had been in FY 1980.

Income Assistance. While federal spending on a variety of human service programs declined, spending levels actually increased in the income assistance area, which includes food stamps, unemployment compensation, aid to families with dependent children, and housing assistance. Over the 1982-1987 period, cumulative spending for income assistance was $20 billion higher than would have been the case had FY 1980 levels been maintained. Most of the increases occurred, however, in the early part of the period and reflected the automatic formulas written into many of the entitlement programs. In particular, the major sources of the increase in the income assistance field were:

- Automatic increases in unemployment compensation resulting from the 1982 recession;

- Increased housing expenditures resulting largely from prior year commitments and changes in rent levels and housing costs;

Health. Automatic entitlement formulas also boosted spending in federal health program, particularly Medicare, the huge federal program reimbursing health expenses for the elderly. As table 2 shows, $54 billion more was spent on these programs during FY 1982-87 than would have been spent had 1980 levels been maintained. By FY 1987, health spending was 23 percent higher than it had been in FY 1980.[4]

Summary. While spending levels continued to rise in many of the federal entitlement programs for health and income assistance between 1982 and 1987, a significant reduction thus occurred in federal support for a variety of human service activities in which nonprofit organizations have a significant role. The value of federal spending on these activities was reduced by a cumulative total of more than $100 billion over this six year period compared to what would have been spent had FY 1980 spending levels been maintained. As a result, new demands were placed on private nonprofit groups.

Impact on Nonprofit Revenues

The changes in federal spending noted above not only increased the demand for services from private nonprofit organizations, however. They simultaneously made it more difficult for nonprofits to meet this increased demand because they reduced the revenues that nonprofit organizations receive from federal programs.

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[4] While Medicare spending increased markedly, federal spending on health services programs (e.g. alcohol, drug abuse, and mental health) declined while spending on Medicaid, which provides health care for the poor, increased only slightly.

As shown in table 3, private nonprofit organizations received $37 billion in revenues in FY 1980 from the federal programs included in the six budget functions covered here. Of this total, $23.5 billion went to private hospitals and other health providers through the Medicare and Medicaid programs and $13.4 billion went to other human service agencies.[5]

Table 3

Changes in Federal Support to Nonprofit Organizations in Selected Budget Functions, FY 1982-87, After Adjusting for Inflation ($ billions)

Function	FY1980 Level	Cumulative Change, FY1982-87 vs. FY1980	Change, FY 1987 vs. 1980	
			Amount	%
Education, Training, Employment, Social Service	$8.7	-$17.7	$-3.0	-34%
Community Development	0.8	-1.8	-0.3	-38%
Health	26.6	+28.6	+6.7	+25%
International Assist.	0.8	-0.8	-0.1	-14%
Total	$36.9	+8.3	+$3.3	+9%
Total w/o Medicare and Medicaid	$13.4	-$23.2	-$3.5	-26%

Source: See Appendix A

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[5] An additional $3.9 billion in federal support flowed to nonprofit organizations in FY 1980 through programs not included in the budget functions covered here, such as various research and development programs in defense, NASA, energy, and other fields.

While federal support to nonprofit hospitals and other health providers through the Medicare and Medicaid programs increased between FY 1982 and FY 1987, federal support to other nonprofit organizations fell significantly. During the entire six-year period, these organizations lost a cumulative total of $23.2 billion in federal support in these budget functions compared to what they would have had available had FY 1980 spending levels been maintained. By FY 1987, such support was more than 25 percent below what it had been in FY 1980. For some types of organizations, such as those providing social services, community development, and advocacy, moreover, the reductions were in excess of 30 percent.

II.

The Prospects for FY 1988

Overall Spending Changes

In the budget for FY 1988 that it submitted to Congress early in 1987, the Reagan Administration proposed further cuts in federal spending in many of the budget functions of concern to nonprofit organizations. Legislators from both parties rejected the President's proposals this spring, however, and in late June, Congress adopted its own budget plan for FY 1988 and beyond in the Budget Resolution it passed on June 24.

By its nature, the Congressional Budget Resolution each year is advisory only. It essentially establishes guidelines at the level of broad budget functions about the levels of spending that the appropriations and authorizing committees (in the case of entitlement programs) should achieve, and about any added revenues that the tax-writing committees should generate. It is still up to these committees, however, to take the actions needed to implement the budget resolution guidelines. What is more, the budget resolution is a Congressional document: it does not commit the President, who may still veto the appropriations or revenue bills required to implement the budget.

The degree of certainty surrounding the Budget Resolution is especially problematic this year, moreover, because of persisting uncertainties about the status of the Gramm-Rudman-Hollings Deficit Control Act, which has dominated federal budgeting the past several years. The Gramm-Rudman-Hollings Act, formally the Balanced Budget and Emergency Deficit Control Act of 1985, set specific deficit targets for each year between FY 1986 and FY 1991 and established special automatic procedures for achieving these targets in the event the President and Congress failed to do so through the normal budget process. However, the Supreme Court declared the automatic deficit reduction procedures unconstitutional, and in the process of legislating new procedures Congress has become embroiled in a serious debate over the reasonableness of the deficit targets themselves.

While there is great uncertainty over the extent to which the budget that will emerge from the budget process will adhere to the outline approved in the Budget Resolution, however, this Resolution is the best indication of Congressional thinking on the FY 1988 budget available, and there is reason to believe that its broad contours are likely to stick.

What, then, has Congress proposed for FY 1988 in its Budget Resolution, and how does this compare with what the President proposed?

- Overall increase in spending over FY 1987 levels

  Under the Congressional Budget Resolution, federal FY 1988 spending in the six budget functions of interest to nonprofit organizations covered here would increase by $5.4 billion over FY 1987 levels. This would leave federal spending in these functions slightly higher than they had been in FY 1980, before the current round of extensive domestic budget cuts began. (See table 4)

Table 4

Proposed Federal Spending for FY 1988 in Budget
Functions of Interest to Nonprofit Organizations Under the President's
FY 1988 Budget and the FY 1988 Congressional Budget Resolution,
After Adjusting for Inflation
($ billions)

Function	FY1980 Actual Outlays	FY1987 Outlays (projected)	Proposed Change, FY 1988 vs. FY 1987: President's Budget	Proposed Change, FY 1988 vs. FY 1987: Congressl. Res. Amount	Proposed Change, FY 1988 vs. FY 1987: Congressl. Res. Percent	FY 1988 vs. FY 1980 Congressl. Proposal
Education, Training, Employment, Social Service,[a]	$31.8	$22.1	-$2.1	+$0.8	+4%	-28%
Community Devel.[a]	11.3	6.1	-1.4	-1.1	-18%	-56%
Health[b]	58.2	71.4	-3.6	+3.9	+5%	+29%
Income Assistance[c]	86.5	87.3	-2.5	+2.1	+2%	+3%
International[a]	12.7	11.1	-0.4	-0.3	-3%	-15%
Total	$200.5	$198.0	-$10.0	+$5.4	+3%	+1%
Total w/out Medicare, Medicaid	$151.5	$135.9	-$7.4	+$2.0	+1%	-9%

Source: See Appendix A

[a] Excludes effects of loan asset sales.
[b] Includes health (function 550) and Medicare (function 570), except Medicare premiums and collections.
[c] Excludes public housing loan account

Much of this proposed increase in the Congressional Budget Resolution reflects built-in growth in the federal Medicare and Medicaid programs, however. With these programs excluded, the increase proposed by the Congress is a much more modest

$2.0 billion. Such an increase would leave spending in these programs 9 percent below what it was in FY 1980.

The President's budget, by comparison, would reduce spending on programs of interest to nonprofits even below FY 1987 levels. With Medicare and Medicaid included, the Administration's budget proposed a $10 billion reduction in spending below the FY 1987 level--instead of the $5.4 billion increase in the Congressional resolution. Excluding Medicare and Medicaid, the Administration proposal called for a $7.4 billion decline below FY 1987's spending level, compared to a $2 billion increase proposed by the Congress.

o Health

The largest difference between the Administration and Congressional proposals is in the health field, where the administration proposes to reduce spending in FY 1988 by $3.6 billion below FY 1987 levels whereas Congress projects an increase of $3.9 billion.

The Administration proposes to secure its savings through holding down Medicaid growth, restraining Medicare costs, and eliminating most of the federal subsidies for the education and training of health care professionals.

Congress is much less optimistic than the Administration about the savings that can be anticipated from cost-control efforts in the huge Medicare program. In addition, it rejects the administration's proposed Medicaid cuts, and proposes instead to improve Medicaid services to the low-income elderly, to children, and to pregnant women; to increase spending for biomedical research, including research on AIDS; and to expand other high-priority programs such as maternal and child health care and community health centers.

- Income Assistance

The Reagan Administration budget for FY 1988 proposed to reduce spending in the income assistance field by $2.5 billion below FY 1987 levels. This was to be achieved by replacing existing federal housing activities with housing vouchers, by targeting child nutrition programs more narrowly, by increasing penalties on states for errors in administering the food stamp program, by reducing the low-income energy assistance program, and by making reforms to limit payments under the Aid to Families with Dependent Children Program.

By contrast, the Congressional Budget Resolution makes room for a $2.1 billion increase in income assistance expenditures in FY 1988 to be used to increase funding for food supplements for women, infants, and children (WIC); for aid to the homeless; and for full funding of low-income and elderly entitlement programs, including food stamps, AFDC, and supplemental security income.

- Education, Training, Employment, and Social Services

Where the Reagan Administration proposes further cuts of $2.1 billion in the education, training, employment, and social services budget function, largely by further reducing college student aid and phasing out the community services block grant program, the Congressional Budget Resolution makes provision for a small 4 percent increase in spending in this budget function. Even so, the Congressional Resolution would still leave spending in this function some 28 percent below what it was in FY 1980.

- Community and Regional Development

  Both the Administration and the Congress project further reductions in spending on community and regional development in FY 1988. Where the Administration's budget repeats long-standing proposals to terminate major portions of this budget function (e.g. Urban Development Action Grants, rural development grants, Farmers' Home Administration rural development loans, the Appalachian Regional Commission), the Congressional Resolution proposes merely a one-year freeze for most programs in this category. Even under the Congressional proposal, however, spending in this area in FY 1988 would be 56 percent below what it was in FY 1980.

Implications for Nonprofit Revenues

Because a Congressional Budget Resolution deals essentially with budget aggregates and does not get down to program details, it is difficult to develop a detailed assessment of its implications for the flow of federal support to nonprofit organizations. However, if we assume that the past relationship between changes in total spending and changes in federal support to nonprofits in each budget function holds for the current budget, then it is possible to formulate at least some rough estimates of what the changes being proposed by the Congress mean for nonprofit revenues from federal program sources.

Table 5 below shows the results of such an analysis. What it indicates is that outside of Medicare and Medicaid, the spending program outlined in the Congressional Budget Resolution would leave nonprofit revenues from federal sources in FY 1988 close to their FY 1987 levels. However, this means such revenues would still be $3.5 billion below the level they were at in FY 1980.

Table 5

Estimated Nonprofit Revenues from Federal Sources, Congressional Budget Resolution for FY 1988 Compared to FY 1980 and FY 1987 Levels, After Adjusting for Inflation ($ billions)

Budget Function	Actual FY 1980	Proposed FY 1988 vs: FY 1987 Amount	Proposed FY 1988 vs: FY 1987 %	Proposed FY 1988 vs: FY 1980 Amount	Proposed FY 1988 vs: FY 1980 %
Education, Training, Employment, Social Services	$8.7	+0.3	+5%	$-2.7	-31%
Community Development	0.8	-0.1	-20	-0.4	-50
Health	26.6	+1.5	+5	+8.2	+31
International	0.8	0.0	0	-0.1	-13
Total	$36.9	+$1.7	+4%	+$5.0	+14%
Total w/o Medicare, Medicaid	$13.4	0.0	0%	-$3.5	-26%

Source: See Appendix A

III.

Federal Cuts and Private Giving

To what extent can growth in private giving be expected to offset these proposed reductions in federal spending in fields where nonprofit organizations are active? To what extent can it be expected to offset at least the direct revenue losses to nonprofit organizations in these fields?

One way to shed some light on these questions is to look at the experience between 1982 and 1986. This is done in Table 6 below, which draws on the somewhat more complete data available on the earlier period as reported in our prior work on this topic.[6]

Focusing on the fields where government cuts occurred--i.e. all fields but health--the table reveals the following:

- The growth in private giving between 1982 and 1986 was sufficient to offset only about 20 percent of the reduction in federal spending in fields where nonprofit organizations are active. Although the cuts levelled off after 1984 while giving continued to grow, even in 1986 giving growth was able to offset less than half the cuts.

- The growth in private giving over this period was not even able to offset the direct losses in nonprofit revenues from federal sources. For the period as a whole, private giving offset only 63 percent of the nonprofit revenue losses.

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[6] As noted earlier, this prior work utilized more detailed program level budget data. It thus excluded some extraneous programs included in the budget functions examined in the present work. It also included some activities relevant to nonprofits that are in budget functions not covered in the present report. See: Abramson and Salamon *The Nonprofit Sector and the New Federal Budget* (Washington: Urban Institute Press, 1986).

Table 6

CHANGES IN FEDERAL SPENDING AND PRIVATE CHARITABLE SUPPORT IN FIELDS OF INTEREST TO NONPROFIT ORGANIZATIONS, IN CONSTANT FY 1980 DOLLARS
($ BILLIONS)

	CHANGE FROM FY 1980 LEVEL			PRIVATE GIVING CHANGE AS PERCENTAGE OF	
FY	FEDERAL SPENDING IN AREAS OF INTEREST TO NONPROFITS[a]	FEDERAL SUPPORT OF NONPROFITS[a]	PRIVATE GIVING[b]	CHANGE IN FEDERAL SPENDING IN AREAS OF INTEREST TO NONPROFITS	CHANGE IN FEDERAL SUPPORT OF NONPROFITS
1982	-$12.9	-$3.6	-$0.1	-	-
1983	-13.7	-4.3	+1.1	8%	26%
1984	-15.2	-4.4	+2.3	15%	52%
1985	-11.3	-4.2	+4.0	35%	95%
1986	-12.7	-4.3	+5.8	46%	135%
TOTAL	-&65.8	-$20.8	+$13.1	20%	63%

SOURCE: Figures for private giving are adapted from calendar year (CY) data in Giving USA: Estimates of Philanthropic Giving in 1986 and the Trends They Show (New York: AAFRC Trust for Philanthropy, 1987).

a. Excludes Medicare, Medicaid, and all other health programs

b. Private giving to other than health or sacramental religious organizations; includes 7 percent of religious giving; excludes a one-time gift to the arts of $1.3 billion in calendar year 1982.

o Because Congress held the line on further cuts after 1983 while private giving continued to grow, private giving did manage to offset the reduction in federal support to nonprofit organizations by 1985.

While losing $4.2 billion in federal revenues that year compared to 1980 levels, nonprofits increased their receipts from private giving by $4 billion over 1980 levels. In 1986, increased receipts from private giving exceeded the losses in government support by 35 percent. This suggests that if the spending levels outlined in the Congressional Budget Resolution for FY 1988 hold, nonprofits should be able to make up from private sources what they will have lost in foregone federal revenues.

While private giving did manage to offset the losses in nonprofit revenues from federal sources by 1985, however, it did not give nonprofits the capacity to expand their services to meet the increased needs left by federal cutbacks. In a sense, by 1985 nonprofits were able to return to the level of service provision they had attained as of 1980. The Congressional Budget Resolution for FY 1988, by holding the line on further cuts, would solidify these gains and permit some modest growth.

IV.

Conclusion

From the point of view of nonprofit organizations, the Congressional Budget Resolution passed in June 1987 for FY 1988 offers a bit of good news, certainly compared to the budget proposals advanced earlier by the Administration. Even so, the Congressional proposals leave spending on many of the programs of greatest concern to nonprofits, and federal support to nonprofit organizations, well below the levels that existed in FY 1980, before the recent round of budget cutting began. What we have here, in short, is another hold-the-line budget, with some modest increases in a handful of high-priority areas.

Whether even the Congressional proposals will survive the next steps of the budget process remains somewhat in doubt at this writing, however. A Budget Resolution is merely a statement of Congressional intentions. It must still be translated into concrete terms through action on thirteen appropriations bills, changes in entitlement program laws, and tax changes. Because the Congressional Resolution on the FY 1988 budget includes provisions for tax increases that the President has indicated he opposes, and because the action-forcing Gramm-Rudman-Hollings Deficit Reduction Act that has driven budget-making over the past several years is in the process of being revised, the uncertainties are even greater at this stage of the process this year than they have been in the recent past. Nevertheless, based on past experience it seems reasonable to treat the priorities reflected in the Congressional Budget Resolution as a fair approximation of the FY 1988 budget that is likely to emerge at the end of the process. If so, nonprofits can expect only slight easing of the belt-tightening that has been their lot over the past six years.

Appendix A

Note on Data Sources

I. Overall Federal Spending Data

FY 1980-86 and President's FY 1988 proposal: Office of Management and Budget, Historical Tables, Budget of the United States Government, FY 1988. (Washington, D.C.: U.S.Government Printing Office, 1987).

FY 1987: Congressional Budget Office, Economic and Budget Outlook: Fiscal Years 1988-1992 and authors' calculations based on unpublished CBO data. The FY 1987 spending figures in the previous pages are estimates which take into account budget decisions as of July 1987, including the FY 1987 supplemental appropriations bill.

FY 1988 Congressional budget resolution: U.S. Senate, Concurrent Resolution on the Budget--Fiscal Year 1988, Conference Report, Sen Rept. 100-76.

II. Federal Support of Nonprofit Organizations

FY 1980-85: Abramson, Alan and Lester Salamon, The Nonprofit Sector and the New Federal Budget (Washington, D.C.: The Urban Institute Press, 1986).

FY 1986-88: Authors' estimates based on the assumption that prior year relationships between overall federal spending and federal support of nonprofits hold in the current and future years.

III. Deflation Factors

Deflators for Medicare and Medicaid:

FY 1980-86 and President's FY 1988 proposal: Unpublished material from OMB on actual values or OMB's assumptions for the CPI-U medical care.

FY 1987 and Congressional budget resolution for FY 1988: Unpublished material from CBO on CBO's assumptions for the CPI-U medical care services.

Deflators for all other programs:

FY 1980-86 and President's proposal for FY 1988: Unpublished backup material for OMB, Historical Tables, FY 1988, Table 3, on the GNP Implicit price deflator

FY 1987 and Congressional FY 1988 budget resolution: Unpublished backup material for CBO, Economic and Budget Outlook: FY 1988-92, on the GNP implicit price deflator.

PREPARED STATEMENT OF HENRY C. GREGORY III, SENIOR MINISTER, SHILOH BAPTIST CHURCH, WASHINGTON, D.C.

The community of faith from the earliest time of Biblical history has had a deep and abiding concern to meet the needs of the poor. Indeed in the Old Testament, YHWH is described as the defender of the needy. The eighth century prophets were spokesmen on behalf of the poor. Amos, Hosea, Micah and Isaiah directed their proclamation against social injustice of the people and rulers and they defended oppressed and powerless widows and orphans. In New Testament times, the poor belonged basically to two groups: those who sought to earn their livelihood, and those who lived off subsidy. Among the former were slaves and day laborers, depending on each days work for bread. Rabbi Hillel, once stated that as a young student he did not eat on days when he found no work. Among the latter were beggars, the sick, the blind, disabled, lepers and the destitute. There were also the fatherless and widows. Jesus urged his followers to share their resources, their food and clothing with others in need.

From this emerged the Church as a community of sharing, the message of the early Church was one of "good news to the poor." It was not just a spiritualized gospel, but a message of hope and helpfulness to persons in situations of suffering and deprivation. The poor included the socially ostracised and economically dispossessed and the "good news" embraced both the assurance of God's compassion and the promise of sufficient resources to meet life's daily needs. The Church therefore, over the centuries, has been driven by its message to meet human needs according to its ability. As such, there has been sharing within the community of believers and sharing outside that community.

Shiloh Baptist Church of Washington, like other local congregations, has stood in the center of this tradition of caring.

Since its inception in 1863 by 21 newly emancipated slaves, it has communicated a concept of salvation which is comprehensive and inclusive. At Shiloh, salvation has meant "making people whole" promoting their health and total well being. And for over 124 years, the Church has made no distinction in service between members and non members. The Church is for the community, for the world, because "God so loved the world, that he gave his only begotten son."

In recent years, that service has not diminished but has intensified as it has diversified, seeking to brighten the corner where it is.

Shiloh has been actively involved in the distribution of food to needy families and individuals in the following ways:

1. Provision of food to meet emergency needs of persons through crises intervention. A food pantry is maintained and stocked by our purchase from wholesalers and other distributors as well as the community food bank, and Department of Agriculture. A needy family or individual comes to the Church or is referred by another agency. The Church gives enough food based, on the size of the family, to last three to four days.

   Because of limited resources and increasing demand, the clients are limited to once a month provisions. The Minister of Community Service and Family Life oversees this operation and people outside the church look for him seven days a week.

2. Special Days: Families are given Thanksgiving and Christmas baskets donated by members and friends of the Church.

3. Hundreds of individuals are fed at special times. They are invited into our dining room and the members feed them.

4. The Church operates a Restaurant in its Family Life Center. Though not encouraged for business reasons, still a stream of persons come to the restaurant. Most are given food we prepare and take out to them. Some are fed on the premises and a few are referred to other agencies.

5. The Church feeds Seniors through a Senior Center for the Hearing Impaired. This is done in collaboration with the Office on Aging. The regular Senior Citizens group which includes persons from 17 different churches and has a meal component.

6. The Family Life Center of the Church, operates a Male Youth Enhancement Project. These boys from single parent households and the neighborhood are tutored but they are fed first.

7. Shiloh collaborates with a city project called SOME by purchasing, preparing and serving a meal on the 4th Friday of every month. This project started feeding 100 and is now feeding 400.

8. Shiloh Baptist Church has shared in the effort called hunger project. Their first meetings were with us. One of their first, if not the first, main rally was held in the Church. Dick Gregory was the spokesman. Our Senior Choir has provided music for subsequent rallies.

What Shiloh has done is symbolic of what all other local congregations are doing and seeking to do. All of the work of all the local congregations and clusters of congregations is not enough.

The demand is too great, the need is too widespread. The problem of hunger has increased in recent years. It involved the whole community and its solutions must involve collaboration of the community of the whole.

In 1984, the President's task force on food assistance declared that hunger now is "a significant problem throughout the nation." We know that it is a problem in the nation's capital. The street people, the visible poor, and the discreet people, the invisible poor who knock on our doors remind us every day that alone we cannot meet the crises. The mere pittence that we give to them intermittently is not enough for them to survive, thrive and develop a decent lifestyle. Nutrition related health damage is real and pervasive.

Related to the problems have been cutbacks in government income maintenance and other basic programs for low income families since 1980. The reduction has made more limited the ability of poor families to obtain needed food.

ROLE OF THE GOVERNMENT

1. We can't feed all the people. We don't have the resources. A double tax is on us - we pay taxes to the government and then we must dig into our pockets to help the hungry and feed the poor.

2. Government and larger agencies could help with counseling. Many people who come in here have mental problems. Some are angry, need counseling. We have a Human Service Center, however, it is not enough.

3. The Government can help in prevention for the future. Relieving huner is not enough. We must also work to reduce the likelihood of future hunger problems, through providing developmental help. Create and assist in projects which will increase the productive period of people's lives and their capacity to be economically self sustaining.

4. The Government can help with programs for children to provide skills for their future survival.

PREPARED STATEMENT OF PETER J. DAVIES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTERACTION, AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

I am Peter J. Davies, President and Chief Executive Officer of InterAction. InterAction is a broadly based coalition of 111 American private and voluntary organizations (PVOs) that work in international development, relief, reconstruction, migration, refugee assistance, public policy/federal relations and informing the American public on international development issues. It exists to complement and enhance the effectiveness of its member organizations and the private and voluntary agency community as a whole. All of its programs are conducted without consideration of race, sex, religious belief or political ideology.

Mr. Chairman, it is a pleasure to appear before this important Committee once again. I congratulate you for the excellent work you are doing to focus public attention on the critical issues of hunger and poverty in the third world, as well as here in the United States.

The issues that you are discussing today are most critical. The partnership between government -- especially the Agency for International Development (AID) -- and private voluntary organizations (PVOs) is an essential element in the response to famine and to achieving effective development in Africa, Asia and Latin America. Here I am referring not only to United States PVOs but to indigenous and international organizations as well.

Each needs the other. As was evident during the African famine, the PVOs were an essential service delivery vehicle for the food and other aid that the government provided. And the threat of another famine is all too real.

Once again, the U.S. PVOs will play their critical part. For example, they will distribute the 114,000 metric tons of food aid that AID, under the Pl 480 Food for Peace program, has just announced, to avert a recurrence of tragic loss of life that we witnessed just two years ago.

But way beyond being just a service delivery vehicle, the PVOs are an important vehicle -- an engine if you will -- for providing grass roots development. That is, they are working with local community groups, with indigenous voluntary organizations, with local government departments of health, agriculture, forestry, with womens groups and cooperatives, to provide potable water, grow more food, plant trees, improve nutrition, immunize children, provide family planning information and services and on and on.

The funding for these dynamic programs comes from two sources: from governments, including multilateral agencies, and from private contributions. It also comes from the people themselves, mobilizing local resources -- both human and material.

Government funding of private voluntary organizations makes it possible for many of the PVOs to multiply their impact way beyond what they could achieve without government funding.

While I do not wish to burden you with too many figures, let me cite just a few:

> As of September 30, 1985 (the latest year for which we have data) there were 170 PVOs registered with AID. They received $1,466 million in private contributions (cash, supplies, and equipment), and the U.S. Government provided them with a total of $1,001 million in the form of grants, contracts, U.S. government-owned excess property, ocean freight subsidies, and P.L. 480 donated food.

On a broader front, according to a draft OECD report "Voluntary AID for Development: The Role of Non-Governmental Organizations,"prepared by the Development Assistance Committee.

> "Today the DAC-country NGOs raise from their constituencies approximately $3 billion for developmental activities in the developing countries. Our aid agencies channel another $1.5 billion through these organizations."

The OECD further estimates in an earlier 1985 report "Twenty-Five Years of Development Cooperation" that 5.3% of total bilateral aid was channeled through NGOs in 1982/83.

Finally, our own organization InterAction, has just completed an up-date of its Member Profiles for over 100 members. This shows that government funding of these PVOs (and some do not accept any government funding) amounted to approximately $530 million dollars. The total income of ninety-four of these InterAction member PVOs was approximately $1,890 million in 1986. Hence, the proportion of government funding clearly represents a significant factor of the total.

But the cold figures do not tell the story. That story is a dramatic one.

Whether we are talking about helping refugees in Afghanistan, rural community development projects in Honduras, digging wells or planting trees where deserts are invading the cultivatable land in Subsaharan Africa, PVOs are constructively applying public funds as well as their own privately raised resources, to carryout programs that motivate and apply self-help principles, thereby providing dignity to those on the very edge of subsistence.

I have worked for over twenty-five years within government -- with AID -- in family planning programs with the International Planned Parenthood Federation and with a PVO, Meals for Millions/Freedom from Hunger Foundation, and have seen at first hand how dramatic are the changes in peoples lives that these projects make. In Ecuador I have seen families clear, cultivate and harvest land that was held communally and to which the peasants did not have title. Through the efforts of the local Ecuadorean program director, working with the peasant farmers, the Ministry of Interior eventually was persuaded to grant title, whereby the farmers for the first time have collateral to obtain credit.

It took three years to obtain those titles, and I was enormously impressed on a subsequent visit to see how those families had improved their houses and added new roofs, were sending their children to school, and were improving their living standards albeit still at a very low level.

That single example that I have just described, happened to be a program of Meals for Millions operating under a Matching (and I emphasize the word "matching") Grant provided by the Private and Voluntary Cooperation Office of AID.

I could describe dozens if not hundreds of examples of successful development programs that have been made possible through the partnership between AID and the PVOs.

The important point, however, is that these PVO projects, usually funded jointly by AID and from private contributions, extend and complement what AID, the multilaterals, host governments and other donor governments are doing.

PVOs can innovate, can take risks, can demonstrate ways to reach, to motivate, to catalyze and organize people. PVOs can develop models for micro enterprises; they can organize social agroforestry projects; they can teach communities environmentally sound cropping practices; they can teach nutrition and provide family planning services; they can do a great deal to improve the lives and opportunities of families and communities.

However, it is obvious that never will the PVOs have the resources to replace what governments are able to provide.

Also, they are much less successful, and not appropriately positioned to influence governments to change agricultural pricing policies; to develop the urban infrastructure, to pay the salaries or provide the transportation necessary for a ministry of health or agriculture, for example.

In short, PVOs can be effective delivery vehicles for culturally attuned people-to-people community based initiatives. They can, in partnership with governments, reach people and motivate people to take the necessary steps to develop their own capacities and to break out of the cycle of poverty and chronic hunger.

That brings me to another essential point, Mr Chairman. The social and political environment in which PVOs and governments are working is changing. Over the last year I have attended a number of seminal conferences which brought representatives from Northern (Canadian, United States, European) PVOs together with Southern NGO representatives from Africa, Asia and Latin America. Our Southern colleagues are telling us Northern PVOs we must do more to bring home to our own government representatives that the economic policies -- debt burdens, commodity prices, trade barriers and the like -- undo and inhibit development in their countries to a frightful extent.

Their other message is that we Northern PVOs should do more to help them strengthen the indigenous capacity of Southern NGOs to undertake development projects.

Just two weeks ago I returned from a meeting of the World Bank/NGO Committee in Santo Domingo hosted by Solidarios (a Southern NGO). At that meeting, once again, the above messages were heard loudly and clearly. I'm pleased to report that the reorganized World Bank, under your former colleague, Barber Conable's able direction, is becoming much more attuned to, and is, in fact, looking for ways to work more closely with PVOs from the North and particularly from the South.

Many of the World Bank staff recognize the contribution that PVOs can make to helping build the institutional infrastructure that is essential at the grass roots if one is to achieve sustainable, long-term development. This is a breakthrough for the Bank. It underscores the point of this hearing. Without the complementarity of the public governmental sector and the private voluntary sector, it is not likely that effective, sustainable development will be achieved.

Before closing, let me dwell on another critical factor: the recurring drought in Subsaharan Africa. This is on top of the critical hunger stalking the people of Mozambique and Angola, largely as a result of South African destabilization policies.

I know, Mr. Chairman, that this committee is most concerned with the likelihood that we will face another catastrophic famine in Ethiopia in 1988. Famines and drought do not recognize borders and the rains are again failing.

My son has written of the crop failures and possible dire consequences in the Sudan where he is working with the U.S. Save the Children Federation in a Band Aid/Live Aid funded agricultural program.

He writes:

> "Rainfall has been sufficient only in the southern areas of the Um Ruwaba District during the 1987 growing season. Harvest prospects are good for sorghum, millet, sesame and groundnuts in Shirkeila, Southern Er Rahad and extremely southern Um Ruwaba Rural Councils. **Um Dam Rural Council, as well as northern Wad Ashana and Um Ruwaba Rural Councils are facing a complete harvest failure as devastating as during the drought years of 1983-85. Rainfall has been so minimal and so late in Um Dam Rural Council that there is no pasture whatsoever for remaining livestock.**
>
> Consequently, SCF market surveys have begun to indicate distress sales of remaining livestock in the Um Dam market, with the number offered for sale increasing from 200 animals in the last week of August to 1200 animals in the first week of October. The SCF Agriculture Team participated during August with the Regional Ministries of Agriculture, Planning and Animal Resources, and OXFAM/UK, in a regional Rapid Assessment Survey to quantify the expected shortfall in cereal crop harvest. The SCF Agricultural and Outreach Programs are working together with the local and regional government to ensure that food supplies are available for the population of Um Dam Rural Council and other affected areas."

You personally provided substantial support to the work of InterAction in its response to the African famine, in 1984-86.

We at InterAction are again, of necessity, playing an important information role to the media and the general public, as we receive reports from our members on what is ahead. ABC and NBC television have both flashed InterAction's address on their screens as they report the impending return of the crisis on their national news broadcasts.

We will be holding a meeting to bring together representatives from the PVOs who are already working in Ethiopia and other potentially drought threatened African countries, along with representatives of AID, the State Department's Refugee Bureau and the Secretary General of the United Nation's African Emergency representative to compare notes and discuss how as a collaborative undertaking, we can collectively be prepared to save lives, as we did last time - - and to avert another crisis by responding now with food stocks, trucks, medicines and the logistical management so that we can keep families in their own villages and avoid their trekking to the cities and into huge camps.

In 1984/85 you will remember, the PVOs supported this Select Committee and the Africa Subcommittee in passing the Weiss/Wolpe bill appropriating $800 million in supplemental relief assistance for the African crisis. The Administration, you'll recall, suggested the need was for only about $400 million.

Well, I hate to have to contemplate that we may face the same lack of Administration support in light of the Gramm Rudman Hollings constraints. I must congratulate those responsible for pledging the 114,000 metric tons of grain for Ethiopia so promptly.

I foresee once again that the PVOs will face an uphill battle with the Administration to obtain the essential funding for not just food, but for inland transport, logistics, medicines, tools, etc.

I am also not so sanguine that the public support will be there. Our own studies -- as evidenced by the responses to our Member Profile up-date mentioned earlier -- indicate that the PVOs have absorbed a most disturbing decline in public support for their programs. It is obvious to me and to my colleagues, that the PVOs simply lack the resources to mount an effective relief operation without sufficient AID support.

Ethiopia is a difficult country to work in. The poverty, the restraints placed on PVOs by government, the civil war that continues to rage, mean that the relief agencies, and their magnificent workers should be applauded and given much more recognition than they are.

The trucks and supplies that were brought to Ethiopia and to surrounding countries, the bridge that was built across the river in Chad with Band Aid/Live Aid and USA for Africa funds, in large part, and the $40 million of USA for Africa funding and $75 million from Band Aid/Live Aid have been reported on numerous occasions. For the record, recognizing that there were inevitable delays in releasing the funds that were raised through the world's generosity, nevertheless thousands of lives were saved in Ethiopia and the other famine afflicted countries. That much of the funding was directed, also, toward longer-term development programs carried out by the private voluntary organizations -- by U.S., British, European and indigenous African groups -- is also to the great credit of both USA for Africa and Band Aid/Live Aid, as well as to the private voluntary organizations and the United Nations Agencies that worked collaboratively with these two groups.

I would like, as an example of this creative use of funds from Band Aid/Live Aid, to insert in the record, the Executive Summary of an Agricultural Development Program in Um Ruwaba District, Kordofam Region, Sudan submitted by the field office of Save the Children, U.S.

Conclusion

In summary, I have cited quite a few examples of collaboration between government, the multilateral agencies, our own foreign assistance program -- AID -- and the private voluntary organizations.

One thought I would like to leave with you is that we have come a long long way in a few years in building an effective partnership. Each -- governments and PVOs -- has its strengths and brings to the table what it can do best.

We are an incredibly diverse community of PVOs. As a country, the United States has pioneered in the establishment of a voluntary sector supported through the generosity of the American public. But as you are aware, the amount necessary to carry out the relief, refugee resettlement and development programs that are essential to achieving a world where poverty and hunger, where disease and infant mortality are drastically reduced, where opportunity and human dignity reign, can only come about through a partnership that must involve at the least, four partners:

First and foremost, the people in the third world themselves;

Second, the national governments;

Third, the bilateral and multilateral organizations and

Fourth, the private voluntary organizations

That partnership is already stronger today than it has been in past years and with the focus that your Select Committee on Hunger is bringing to the issue of eradicating world hunger we can together build the political will to wipe out the scourge of hunger from this earth.

Thank you for your patience. I would be glad to respond to questions and/or to submit responses for the record.

PREPARED STATEMENT OF PHILIP R. WARTH, JR., PRESIDENT AND C.E.O., SECOND HARVEST NATIONAL FOOD BANK NETWORK

Good morning. I am Philip R. Warth, Jr., President and Chief Executive Officer of the Second Harvest National Food Bank Network. I would first like to say that I am honored to have been invited to testify before such a distinguished body of concerned legislators. Thank you for your interest in the hunger issue, and your work in publicizing the problem. I also thank you for your leadership in recommending and supporting solutions in the Congress, as well as helping to foster private sector initiatives.

The Second Harvest National Food Bank Network is one of those private section initiatives that is attacking the crisis of domestic hunger. Founded in Phoenix in 1979, Second Harvest is an umbrella organization supporting a nationwide network of over 200 food banks. Our primary function is to solicit donations of surplus food from the nation's food manufacturers and retailers which we, in turn, distribute to the warehouse/distribution centers known as "food" banks all over the country. Rather than serving needy individuals, Second Harvest food banks provide this donated food to local charities which serve the needy. In 1986, the Second Harvest Network provided over 352 million pounds of donated food to over 38,000 charitable feeding programs: including soup kitchens, homeless shelters, church pantries and a raft of other organizations offering feeding programs for the needy. We fully expect to increase the amount of food we distribute by 15 percent this year.

Though governmental financial support once comprised a critical component of Second Harvest's funding, we have been solely supported by private contributions since 1983. The generosity of 55 corporations and foundations as well as small contributions coming from hundreds of Americans form the base of our financial support.

Our rapid growth comes as a result of a highly successful partnership which we have forged with the American food industry which, in turn, has recognized Second Harvest's high standards; the efficiency of our operations; and the broad base of community support which has been critical to the success of Second Harvest food banks throughout the country.

In working with the food industry to secure donations of food, we have had a wonderful opportunity to educate this segment of the corporate sector on the dimensions of the hunger problem in America and to raise their sensitivity toward the issue of hunger, resulting in steadily increasing cooperation in the form of contributions of food products, equipment and financial support.

A critical element in Second Harvest's success is our ability to provide participating companies with strict accounting, allowing us to report exactly where the food is going and who it is going to. In addition, by maintaining network-wide standards regarding warehousing practices, proper food handling and sanitation procedures, we also provide companies with an assurance that the food which is being donated is being received in edible and nutritious condition - limiting any liability or risk to corporate reputations.

Due to the unique nature of the system we have established; the professionalism of our food banks; and the active involvement of thousands of Americans working with their local food banks throughout the country, we have established a permanent mechanism for the cycling of food which the Food Industry, for whatever reason, would prefer not to market through normal channels. Our efforts in this regard have led to our becoming the largest charitable feeding program in the country and as far as I am aware, the only national charitable distribution network of any kind.

In reality, the Second Harvest Network accomplishes three major purposes:

1. We provide the sustenance of life to many needy Americans by augmenting the food supplies of local charities.

2. We prevent food waste by recycling food product which might otherwise be thrown away for lack of an efficient donation/distribution mechanism.

3. We provide tremendous budgetary relief to local charities by freeing up funds that would otherwise be used for the purchase of food, enabling the charities to use that money for services.

> For example, a homeless shelter in South Carolina with which I am familiar, was able to increase its number of beds by 50%, due to the cost savings provided because food was made available through the local food bank.

We continue to explore new initiatives for obtaining edible and nutritious food which will allow us to increase our impact nationwide. These initiatives range from the processing of bulk commodities to exploring cost-effective solutions to handling prepared food. Thus, we are cautiously optimistic that our ability to serve the needy will continue to grow.

We are proud of our success, which reflects upon our food banks, our organization and our corporate sponsors. However, we are a "reactive" system, dependent upon the vagaries of the food industry, and often times we cannot provide the full range of product or the nutritional content desired to provide complete meals. In that sense, Second Harvest can only augment feeding programs which have been initiated elsewhere.

Also, as effective as we are, and as proud as we are of what we do, our efforts have resulted in only one half billion dollars worth of food being provided to the needy. Given the fact of structural change in our economy and the reordering of priorities in Washington. It is extremely difficult for us to impact more than a small part of this large national problem.

As most of you know, our growth is also the result of continuously expanding need for our services, since hunger in America is now more prevalent than at anytime since the great depression. Cutbacks in federal food programs, the farm belt crisis, almost a decade of dislocations in the job market and other forces mean that today as many as 20 million Americans experience hunger in one form or another.

Ironically, this hunger goes hand in hand with terrible waste: one fifth of all good food produced in this country is lost between the field and the table. At the same time we continue to maintain huge stockpiles of USDA surpluses, leading me to the conclusion that simply by more effective stewardship it is well within our capabilities to fully address the food needs of the poor in America.

What can the government do to solve the problem of domestic hunger?

While I have been pleased to have the opportunity to share the unique nature of our operation with you, I must also point out that recent governmental initiatives promise to inhibit our ability to reach our potential over the long term. Specifically, the tax reform legislation of 1986 provided lower corporate tax rates which have had the affect of reducing the economic incentive for companies to donate food by almost 25%. In addition, the elimination of the provision for charitable deductions for most Americans eliminates an incentive for most individuals to write that yearend check to their local food bank or, for that matter, any other favorite charity.

While for the most part, I can applaud the wisdom and the intent of tax reform, I think it is important that as we ask the private sector to play a stronger role in addressing America's social needs that more consideration needs to be given to providing incentives which encourage participation with private charities. In this case, for example, the lessening of the value of the tax deduction actually increases the incentive for dumping rather than donating food. I therefore suggest that a reevaluation of donation incentives by the Congress is in order.

The reauthorization and on-going support for governmental feeding programs such as TEFAP, WIC, Food Stamps and the School Lunch Program is absolutely CRITICAL if we are to prevent the problem from widening even further. Despite debilitating funding cuts in most of these programs, they are indeed indispensable threads in the "safety net" which the government provides the disadvantaged in our society.

Next, while modest amounts of USDA commodities are presently being distributed through TEFAP, and other programs, distribution could be widened to further assist the hungry, while at the same time reducing storage costs for the government. I encourage you to evaluate expanding distribution through entities such as Second Harvest which provides an example of a national distribution system that efficiently dispenses food under carefully targeted programs in a sanitary manner. By actively working with an organization such as Second Harvest, the government would have an opportunity to increase the amount of commodities distributed in a way that minimized any interference with commercial markets.

Next, we must acknowledge that governmental benefits which have survived recent domestic aid cuts provide unrealistically low levels of support. For example, a qualified recipient of food stamps is provided with a level of support that translates to the equivalent of only 49 cents per person, per meal. This means that a family of four is expected to serve a nutritious dinner for less than $2.00. . . . something we know is essentially impossible! Governmental supported programs such as the Food Stamp Program must be brought up to reflect the realistic costs of living in the 1980's.

The government can also develop a system that allows for the problem of hunger to be understood... including the establishment of a vehicle that will allow us to measure the problem on a credible basis. The problem of hunger begs for bi-partisan support and objective study; not the sort of research that turns the issue into a political football. Only by developing an objective means for measuring the dimension of hunger on a national basis, will the American public and the Congress be able to make informed decisions on the amount and nature of support necessary, either through governmental programs or new incentives involving the private sector.

Ultimately, the best thing the government can do is to foster a sound economic climate that allows those who want jobs to receive employment that pays a living wage. Surveys of our food banks indicate, that the largest growth in need has been in agencies which serve the working poor...the people who work at 40 hours a week for minimum wage. As I am sure you are aware, there has been no adjustment in the minimum wage for approximately six years. The result has been that a family subsisting on a minimum wage income now lives more than 25% below the government definition of poverty. Making this problem doubly difficult is the fact that because of their pride, many of the working poor are reluctant to even avail themselves of government benefits which might be available, despite the fact they can not make ends meet with their wages. Without some remedial action that will allow the minimum wage to keep up with increases in the cost of living, I fear that the number of working poor will continue to dramatically escalate.

By creating an environment for a stable economy, and by assuring that those who work are paid a livable wage, we can minimize additional demands on government and have the non-profit, charitable sector assume its historically appropriate role of addressing the needs of those small numbers in society who have "fallen through the cracks."

Finally, I would be remiss if I did not call attention to an unfortunate recent trend, which is the politically expedient habit of viewing those who need to avail themselves of governmental assistance as slothful ne'er do wells. The incorrect and inflammatory "welfare queen" imagery which has been used among politicians of both parties, has made it extremely difficult to develop a public understanding of the problem of hunger and to generate appropriate political action. This tarring and feathering of the poor must stop if we are to support change, whether it be through increased private sector involvement or governmental aid.

In closing, let me suggest that the issue of hunger is not a liberal issue, nor a conservative issue; not a Democratic issue; not a Republican issue; but an issue that belongs to all of us. The sooner we recognize hunger as an issue that we all have a vested humanistic, economic and societal interest in solving, the sooner we will be able to come to grips with the problem.

PREPARED STATEMENT OF ROBERT M. BEGGAN, SENIOR VICE PRESIDENT, UNITED WAY OF AMERICA

My name is Robert M. Beggan, Senior Vice President of United Way of America. I serve on the board of the Committee for Food and Shelter, have served as Secretariat and later as Board member of the Emergency Food and Shelter National Board Program, and for the the past eight years my family and I have been volunteers for So Others May Eat (S.O.M.E.), a feeding program in the District of Columbia. From my professional and volunteer involvement in the issues of food and shelter, I know that the problem is critical and growing. It is also clear to me that the only way to beat this problem is a coordinated effort by government, the voluntary sector, business, and labor focusing financial resources and man and woman power on job training, illiteracy, health care, mental health intervention - efforts that deal with the root causes of both hunger and homelessness.

We in the voluntary sector are grateful for the emphasis of the Stewart B. McKinney Homeless Assistance Act as a step toward the necessary government and voluntary sector coordination. Forgive me, but inquiries by the media and congress around Thanksgiving and Christmas are frustrating. People go hungry all year round, not just during the holidays.

Unfortunately, the appropriations process often produces delays that year after year make Federal funds available only after it is too late to deal with the most critical service demands which occur in the winter months. Hunger and homelessness are year-round problems which are exacerbated by the inability to provide year-round intervention.

The voluntary sector, lead by United Way and the agencies funded by United Ways across the country, is fighting a holding action. We are dealing more and more with the "nouveau poor - the people who only a year or two ago were giving to United Way and who are now recipients. We are also dealing with the invisible poor -- the homebound, elderly lady who is eating cat food; the homeless families who sleep in cars and don't show up at shelters or agencies: the Maine woman and her family who subsisted for an entire winter on potato soup within yards of a major highway and a few feet of homes on both sides. No one else knew.

United Ways, through agencies like Volunteers of America, the Red Cross, Catholic Charities, neighborhood centers, Family Service agencies, Travelers Aid, Mental Health Association, have been addressing the problem of hunger and homelessness for a long time. In 1981, the amount of funding going to emergency assistance programs through the United Way allocations process in larger and mid-size communities was $722 million. Last year it was over $1 Billion. This does not include our Information and Referral services that link people with help. We run or fund over 80% of the Voluntary Action Centers that make it possible for volunteers like me and my family to assist. We fund job training through agencies like the Urban League that help move people to independence and productivity. United Way funded Senior Centers and Day Care centers are often the major or only source of nutritious meals for some. Our food and nutrition funding increased from $4,742,000 to $14,548,000 in 1986 - over 200%. Crisis intervention services during this period moved from $3,817,000 to $12,088,000.

A few examples: In Denver, one third of all United Way funded agencies administer one or more food and shelter support programs. The agency list includes such mainstays as YM and YWCA's, along with storefront centers. The United Way in Denver provides five times thedollars that the community receives through the Emergency Food and Shelter National Board Program.

The United Way of St. Petersburg, Florida is heavily involved in coordinating information between provider agencies to ensure the priority needs are met and services are not duplicated. The United Way also works with Florida Power on an "energy neighbor fund" to raise $100,000 to assist low income people in paying their bills.

Across the country, agencies affiliated with Catholic Charities, USA, most of which receive funding from United Ways, devote the majority of their service dollars to emergency/crisis and food services. Their agencies served over 5 million individuals and over 1 million families in 1986. They report that hunger/nutrition and housing/homelessness were the most critical issues for their agencies.

More than 400 American Red Cross chapters provide direct services to the hungry and homeless and 250 more provide indirect services. In an attempt to address the burgeoning need, Red Cross Chapters are tapping funding sources as diverse as city, county, and state government, foundations and private organizations, in-kind contributions, and the Emergency Food and Shelter National Board Program. And it is not enough!

The Emergency Food and Shelter National Board Program is a model for voluntary sector-government cooperation. In 1982, at the depth of the recession, Congress initiated the program. The Voluntary Sector was already working - hard. But the dollars weren't there. In most communities, a service delivery system was in place -- whether a major provider like the Salvation Army or the local church food pantry. That delivery system varied in each community -- designed to meet unique needs and problems. The first year was Fiscal 1983. United Way of America was asked to serve as Secretariat (administrative agent). That first year, United Way of America expended over $300,000 dollars to the program; we waived the administrative costs and took not one cent for administration We actually awarded more dollars than Congress appropriated. Through Phase V (fiscal 1987), total local and national administative costs were less than 2%. Thank goodness the Stewart McKinney Act recognized the impossible long-term burden on service providers. The total local and national administrative cost is now 3 1/2 percent.

We will try to pass all of the increase allowed to the local level, thus running the national program at 1%. But please, do not infer that voluntary agencies, as cost effective as we are, are covering all our costs. We are not! We believe that we are responding to an emergency, so we will do our share.

Congress asked United Way of America, Catholic Charities, American Red Cross, the National Council of Churches of Christ in the USA, Salvation

Army, and Council of Jewish Federations to recommend members for the National Board, which was chaired by a representative from the Federal Emergency Management Agency. The voluntary organizations were chosen for their direct involvement with, and interest in hunger and homelessness. Local boards reflected this mix, with local government taking F.E.M.A.'s place. We had a ready-made coalition of concerned parties, including voluntary and public sectors. Many communities, with the encouragement of the National Board, expanded the local boards to include an even broader mix.

The choice of the Federal Emergency Management Agency to chair the Board and to represent government was a stroke of genius. That agency has shown itself to be flexible, responsive, not bound in red tape, and both willing and able to accommodate its procedures to the needs of people. "FEMA" has some exceptional and caring professionals who are a credit to the government and to our country.

Since March 1983, this public-private partnership called the "National Board" has:

- Awarded $375 million for emergency food and shelter.
- Generated and disbursed to local communities nearly $3.7 million in interest income.
- Provided 318 million meals at an average per capita cost of $.69.
- Provided 88 million nights lodging at average per capita cost of $2.29.
- In Phase V alone, distributed funds to over 2000 civil jurisdictions where over 70% of the nation's unemployed live.

- Directly funded over 8000 charitable organizations in Phase V (fiscal 1987) alone.

The range of agencies funded is amazing. In the Fact Sheet appended to the testimony, you will find the results of a 1986 study of agencies funded that year.

The program is a model of efficiency. After the first round of funding, an independent evaluation by the Urban Institute was highly complementary of the effort. In 1987, this record of excellence continues. In the November, 1987 report, "Saving Lives: Emergency Federal Aid Reaches the Streets", the National Coalition for the Homeless singles out the Emergency Food and Shelter Program for praise: "The FEMA Emergency Food and Shelter Program has consistently moved emergency assistance to homeless individuals more quickly than other programs" (p. 39).

As the Secretariat for the National Board Program, United Way of America took some risks by trying to hire the very people we were trying to serve. To our delight, we found that our best source of temporary employees is a local shelter, from which we have employed former members of America's middle class -- for example, a former serviceman with marketable skills learned in the Navy; a person close to graduation in the field of finance and administration.

The average age of the homeless is mid-30's; 15-25% are women; 20-30% are families with children; 50-60% completed high school and 25-30% completed college. That family/children/educated population of homeless is growing 20-25% per year. In the words of a poster hanging in an

Alexandria, Virginia shelter, "Most of the people suffering from unemployment aren't even old enough to work."

The Emergency Food and Shelter Program has been effective in unexpected ways. It has brought new players into the action (the number of churches involved has quintupled under the program); it has increased the effectiveness of existing systems (In Seattle, every $1.00 invested in the local food bank returns $42.00 in food; in Chicago, corporations match Emergency Food and Shelter dollars 2 for 1; gleaners projects are becoming common; the United Way - initiated Gifts in Kind Program has set hunger/homelessness as a program priority).

The limitations are evident: Too little funding for a continuing emergency that is affecting more and more families (number of homeless families is growing 20-25% per year according to the National Coalition for the Homeless), and more children. A funding stream that has for five years been irregular, often drying up (late fall) just when the need was greatest, and preventing the considered planning that sustains an effective helping system. In smaller communities, there is often no regular helping system, although the Emergency Food and Shelter Program has encouraged creation of new systems in community after community. Finally, the program is designed to "hold the line", not to win the war. It is exceedingly effective at its mandated task, but it is not the answer.

The voluntary sector has been delivering for the hungry and the homeless, and will continue to do so, because that's part of our role. We have responded to an emergency, but it seems more and more that the emergency is becoming institutionalized. One of the clear indications we have is that our volunteers are tired, and the small paid professional staffs in these caring organizations are near exhaustion. Stewart McKinney helped, but more has to be done.

Earlier, I mentioned that we were fighting a holding action. We will continue with this holding action until governments get their act together, until business and labor get their act together, until the voluntary sector works in concert with government, business, and labor to resolve this problem. I know from personal experience that business and labor leaders, once exposed to the problem, are willing to cooperate. There is a clear interest in feeding a hungry person, but there has to be a more strategic approach to deal with the system changes required so that that person won't be homeless.

The voluntary sector has proven itself an effective, knowledgeable, commmited avenue for bringing new resources to the table, energizing volunteers and business on behalf of the hungry and homeless, coordinating existing structures and creating new ones. Our monetary and volunteer commitment has never been higher. But we need more cooperation and funding from government. The Emergency Food and Shelter program and innovative state and local level partnerships have shown that public-private sector partnership works. That emerging partnership must continue and be strengthened on the emergency level; it must also be applied to longer-term, systemic approaches. It must be a normal, expected way of doing business, with the voluntary sector asked not only to deliver services but to participate in designing and evaluating the systems that will make a difference. For example, the Interagency Council mandated in the Stewart McKinney legislation should either include representatives of the voluntary sector or should form a strong advisory council to inform its deliberations.

Thank you for the opportunity to discuss with you the commitment of the voluntary sector and United Way of America to caring for the hungry.winning this war. I will be glad to respond to questions.

EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM - A PARTNERSHIP THAT WORKS

Background

- First Congressional Appropriation of $50 million March, 1983.
- National Board consisting of United Way, Catholic Charities, Red Cross, National Council of Churches, Salvation Army, Council of Jewish Federations, and chaired by Federal Emergency Management Agency (FEMA). United Way is Secretariat (administrative agent).
- Distribution of funds to civil jurisdictions based on population, poverty, and unemployment.
- Local Boards reflecting the National Board distribute to local voluntary and public agencies. Administrative costs of 3.5%, including local and national.
- National staff of 10 persons administers program.
- Funds reach communities within 30-45 days from date of release of funds by F.E.M.A.

Key Facts

Since March, 1983, the National Board has:

- Allocated $375 million for emergency food and shelter.
- Generated and disbursed to local jurisdictions nearly $3.7 million in interest income.
- Provided over 218 million meals at an average per capita cost of $.69.
- Provided over 88 million nights' lodging at an average per capita cost of $2.29.
- Distributed funds to over 2000 civil jurisdictions where 75% of the nation's unemployed live.
- Directly funded over 8000 charitable organizations in Phase V.

Types of agencies funded: A 1986 study of agencies funded that year revealed the following: Catholic Charities (240 agencies funded); Community Action Centers (601); Community Centers (187); Domestic Violence (117); Family Service Agencies (126); Food Banks (217); Food Programs (475); Government Agencies (295); Hot Lines/I&R's (20); Jewish Federation/Jewish Agencies (42); Labor (10); Churches/Ministerial Associations (1004); Minority Organizations (116); Miscellaneous (1529); Red Cross (481); Salvation Army (795); Senior Citizen's/Council on Aging (166); Shelters (70); St. Vincent de Paul (114); Traveler's Aid (34); United Way (225); Veteran's Organizations (6); Women's Organizations (71); YM-YWCA's (62).

Update: Stewart B. McKinney Homeless Assistance Act authorized program for the first time. $10 million was awarded to local jurisdictions October 14, 1987. Fiscal '88 appropriation will be available in the late fall. The amount is unknown, but $125 million is expected.

United Way Involvement: United Way of America is Secretariat; local United Ways are contact points, board members, and often staff to local boards.

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